
Rayonier
More than trees™
2019 Annual Report

Our mission is to provide industry-leading financial returns to our shareholders while serving as a responsible steward of our lands.

1926 2019 93 Years	RYN LISTED NYSE	2.6 Million Acres	$5.2 Billion Enterprise Value
$247.8 Million Adjusted EBITDA	$142 Million of Timberlands Acquired	FSC® PEFC™ PEFC/40-23-6 NZ Sustainable Certification	SUSTAINABLE FORESTRY INITIATIVE SFI-00023 U.S. Sustainable Certification
~32 Million Seedlings Planted throughout U.S. and NZ	Sustainable Yield of ~10 Million Tons Annually	CO_2 ~34.4 Million tCO_2e Total Carbon Stored in NZ Timberlands	$211,166 Avg. Price/Acre Sold in Wildlight
400+ Jobs Created in Wildlight	~350 Employees	Gender Diversity 65% Male / 35% Female	2,000+ Community Volunteer Hours

Figures above are as of 12/31/2019 or represent full-year 2019, unless indicated otherwise.

Financial Highlights

(Dollars in millions)	2019	2018	2017
Sales & Earnings			
Sales	**$ 711.6**	$ 816.1	$ 819.6
Pro Forma Sales[(a)]	**711.6**	816.1	724.2
Operating Income	**107.0**	170.1	215.5
Pro Forma Operating Income[(a)]	**107.0**	170.1	149.2
Net Income	**67.7**	117.3	161.5
Net Income attributable to Rayonier Inc.	**59.1**	102.2	148.8
Pro Forma Net Income[(a)]	**59.1**	102.2	82.5
Adjusted EBITDA By Segment[(b)]			
Southern Timber	**$ 119.7**	$ 102.8	$ 91.6
Pacific Northwest Timber	**16.7**	40.9	33.1
New Zealand Timber	**75.8**	90.8	85.1
Real Estate	**59.5**	123.4	95.5
Trading	**—**	1.0	4.6
(–) Corporate/Other	**(23.9)**	(21.1)	(19.4)
Total Adjusted EBITDA	**$ 247.8**	$ 337.7	$ 290.5
Cash Flow			
Cash provided by Operating Activities	**$ 214.3**	$ 310.1	$ 256.3
Cash Available for Distribution[(b)]	**149.4**	240.1	188.7
Debt & Debt Ratios			
Debt[(c)]	**$1,057.0**	$ 975.0	$1,028.4
Cash	**68.7**	148.4	112.7
Net Debt	**988.3**	826.6	915.7
Net Debt to Enterprise Value[(d)]	**19%**	19%	18%

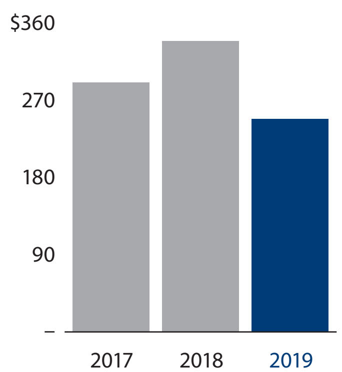
(a) These non-GAAP measures are defined and reconciled on page 9.

(b) Adjusted EBITDA and Cash Available for Distribution (CAD) are non-GAAP measures defined and reconciled on pages 27 and 44, respectively, within this Annual Report on Form 10-K.

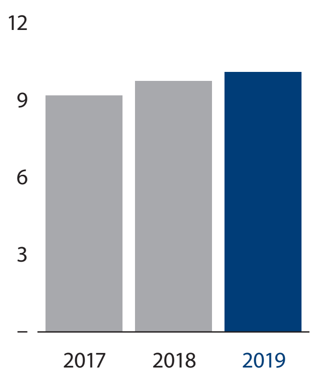
(c) Total debt as of December 31, 2019, 2018 and 2017 is presented gross of deferred financing costs of $1.9 million, $2.4 million and $3.0 million, respectively.

(d) Enterprise Value based on equity market capitalization plus net debt at year-end.

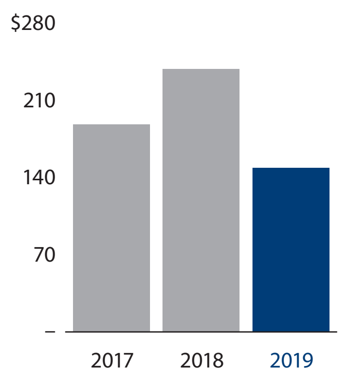
Adjusted EBITDA[(b)]
(Dollars in millions)



Total Harvest
(Tons in millions)



CAD[(b)]
(Dollars in millions)



Dear Fellow Shareholders:

When times are challenging, you learn a great deal about how well your team works together to achieve its goals. We faced significant challenges across all our timber markets in 2019, and I'm very pleased with how well our team worked together to make the best of a challenging year. We saw an escalation of the U.S.-China trade war, including retaliatory tariffs on log exports from the U.S., which impacted both the Pacific Northwest and Southern timber segments. In addition, we watched the unfolding European spruce beetle epidemic deliver higher volumes of salvage timber into China, which impacted directly or indirectly all three of our timber segments. While we believe both of these situations will be relatively short-lived, they have certainly been disruptive to our markets in the near term. Nevertheless, our team did a great job of working to maximize long-term value while at the same time generating sufficient cash flow to fully fund our dividend.

2019 in Review

Full-year 2019 net income attributable to Rayonier was $59 million, or $0.46 per share, compared to $102 million, or $0.79 per share, in 2018. Our total Adjusted EBITDA was $248 million in 2019, which was 27% lower than the prior year total of $338 million due primarily to a lower contribution from our Real Estate segment, which delivered record post-spin-off performance in 2018. Full-year Cash Available for Distribution (CAD) was $149 million in 2019, representing a 38% decrease from the $240 million of CAD we generated in 2018.

While down from our post-spin-off record full-year Adjusted EBITDA in 2018, our team worked hard to deliver solid results in 2019. We enjoyed record Adjusted EBITDA in our Southern Timber segment, which represents the largest component of our asset value. Further, we continued to generate strong premiums in our Real Estate segment, achieving the highest revenue per acre sold since 2007. Notably, we achieved solid 2019 results in spite of deferring nearly 300,000 tons of harvest volume across our three timber segments. These results are a testament to the quality and diversity of our portfolio, the strength of the markets in which we operate, and most importantly, the dedication of our people.

Pope Resources Acquisition Complements Pacific Northwest Portfolio

On January 15, 2020, we announced a definitive merger agreement with Pope Resources (Pope), with the transaction expected to close by mid-year. We are very excited to be adding these high-quality assets to our Pacific Northwest portfolio, and look forward to tapping into the regional expertise of Pope's team. Pope will contribute 124,000 acres of high-quality western Washington timberlands to our portfolio, bringing our ownership in the region to approximately 500,000 acres. With a complementary age-class fit to our existing portfolio, these lands will increase our Pacific Northwest sustainable yield by 32% and increase our proportion of Douglas-fir merchantable timber inventory from 60% to 68%. We will also enjoy a higher proportion of ground-based logging given the more gentle topography of Pope's timberlands relative to our existing portfolio. In addition to lowering our average harvest costs and thus improving our cash flow metrics, these lands are located in strong log markets that provide for greater operational flexibility in the future.

Pope's subsidiary Olympic Resource Management will bring a private equity timber fund business with 141,000 acres of commercial timberlands under management in Washington, Oregon and California. This business operates three timber funds, which provide for added operational efficiencies and economies of scale. As of the most recent appraisal data from December 31, 2019, these funds have total assets under management of $520 million. Based on Pope's variable co-investment level in each of the three funds, which ranges from 5% to 20%, the value of Pope's co-investment stake in the funds was $59 million as of December 31, 2019, or $52 million net of fund level debt. The fund business also has an accrued carried interest owed to Olympic Resource Management on one of the funds that is performing above the return threshold established for that fund.

DAVID L. NUNES
President and Chief Executive Officer

Pope also has a real estate business that is well respected in the west Puget Sound region of Washington and is complementary to Rayonier's real estate and higher-and-better-use (HBU) land sales business in the U.S. South. With improved development projects in Gig Harbor, Bremerton, Bainbridge Island, Kingston and Port Gamble, we envision Pope's real estate business not only providing additional scale and diversity to our existing HBU real estate platform, but also contributing additional management expertise.

As part of this transaction, we will be employing an umbrella partnership real estate investment trust (UPREIT) structure. While this strategy is common in the REIT space, it has never before been employed by a public timber REIT. Pope unitholders will have the flexibility of receiving a mix of cash, common shares of Rayonier or units of Rayonier LP, an entity that will be formed prior to closing the merger and serve as our operating company. For those Pope unitholders electing to receive units of Rayonier LP, they generally will not recognize any taxable gain with respect to the units of Rayonier LP that they receive as part of the transaction. The units of Rayonier LP can be exchanged for cash based on the market price of common shares of Rayonier or, at Rayonier's option, common shares of Rayonier on a 1:1 basis. This transaction structure provides maximum flexibility for Pope unitholders both in terms of the form of consideration and the timing of recognizing capital gains tax liability. Under the terms of the merger agreement, Pope unitholders will be subject to a proration of 70% equity and 30% cash, which equates to aggregate consideration as if each Pope unitholder received 2.751 Rayonier common shares or Rayonier LP units and $37.50 in cash.

Based on the incremental harvest coming from Pope's timberlands, the favorable relative EBITDA per acre contribution due to a higher proportion of Douglas-fir and lower logging costs, and targeted annual synergies of $5 million, we anticipate that the Pope acquisition will contribute incremental five-year average Adjusted EBITDA of $38 million and CAD of $25 million. We also expect the acquisition, excluding transaction costs, to be accretive to CAD in the first full year. With the cash component of this transaction, we anticipate increasing our pro forma net debt to Adjusted EBITDA to approximately 4.5x, which is towards the upper end of our leverage target. We expect to bring this debt ratio down over the next few years through organic growth in cash flows as well as targeted asset sales.

While the financial contribution from the Pope acquisition is certainly important, it's also worth noting the importance of adding the people at Pope to the Rayonier team. We have a lot of respect for Pope's people and believe our respective cultures are very compatible. This is an important aspect to de-risking this transaction and critically important to a successful integration of our two companies.

Portfolio Well Positioned for Growth in Future Cash Flows

Notwithstanding some of the recent market headwinds we've experienced, we feel very good about how our portfolio is positioned for the future. We have worked hard to make continuous improvements, both by addition and subtraction, to our portfolio. In 2019, we completed 18 bolt-on acquisitions, adding 69,000 acres across all three timber segments for total consideration of $142 million. These additions more than offset the 17,000 acres of dispositions and 18,000 acres of net lease expirations in 2019. After taking into account both additions and subtractions from our portfolio in 2019, we increased our long-term sustainable yield by approximately 250,000 tons.

Despite challenging market conditions in 2019, I believe there is reason for optimism about the future in each of our three timber segments.

In the U.S. South, 61% of our 1.8 million acre portfolio is located in top quartile markets (based on composite stumpage prices using Timber Mart-South data), which boast an estimated

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growth-drain ratio of 1.0, implying a balanced timber supply situation. By contrast, only 1% of our portfolio is in bottom quartile markets, where the growth-drain ratio is an estimated 2.4 (compared to an average U.S. South growth-drain ratio estimated at 1.4). The relative strength of our Southern footprint should translate to an enhanced stumpage price response relative to our peers as log markets begin to tighten once recently announced sawmill capacity additions reach rated production levels.

In the Pacific Northwest, with the addition of Pope, we will have a more balanced portfolio, both from a species composition and log market perspective. We also expect improved cash flow metrics with a lower proportion of more expensive cable logging ground. Domestic sawlog customers in the Pacific Northwest are further expected to benefit from the three billion board feet of Canadian sawmill capacity curtailments following the Mountain Pine beetle epidemic, which should continue to shift production away from British Columbia.

Our New Zealand segment, in which we've been able to make modest additions in recent years, has superior biological productivity and well-diversified domestic and export market exposure. While we are currently faced with headwinds from elevated inventory levels in China following the coronavirus outbreak, once these inventories are brought into balance, we expect this market to continue to be an important source of Rayonier's overall market diversification and growing cash flow profile.

We are increasingly optimistic that with the rising level of U.S. housing starts and the positioning of our timberland assets in stronger markets with more fundamental pricing leverage, we should enjoy improved cash flow in the years to come. In addition, our team continues to adopt new technologies such as winch-assisted logging, LiDAR and drones to more efficiently and effectively manage our land portfolio, all of which should ultimately translate to improved margins and increased cash flow generation.

We also believe that our status as a pure-play timber REIT, without exposure to manufacturing assets, helps to lower the volatility of future cash flows.

Importance of Diversified Portfolio

While we believe our portfolio is well positioned for growth in future cash flows, it's also important to note the importance of having a diversified portfolio as a defensive strategy. When we put seedlings in the ground, we don't have clarity on what future market conditions will be when it comes time to harvest that timber in 20 to 40 years. So it remains important to have a diversified portfolio, with exposure to different log markets for different species and grades of logs serving various sawtimber and pulpwood customers. With our breadth of market and product exposure across the U.S. South, Pacific Northwest and New Zealand, we feel well-positioned to capture upticks in our various product and geographic markets, as well as sufficiently diversified to weather short-term market disruptions.

As we look back over recent years, we've seen multiple instances where this portfolio diversification has served us well from a defensive perspective. We've seen our portfolio diversification come into play with the U.S.-China trade war, where our presence in New Zealand helped offset a reduction in export log market opportunities out of the U.S. Our real estate portfolio consisting of both development properties and HBU timberlands has also served as an important source of diversification during times of soft log markets. We've enjoyed impressive gains in per-acre values across all our real estate sales categories in recent years, which has provided for greater flexibility to defer harvest volumes during soft log market conditions. Currently, we are faced with near-term market disruptions on both the demand and supply fronts with the coronavirus pandemic, which has slowed market activity in China, as well as the European spruce beetle epidemic, which has resulted in excess supply impacting a number of global markets. We intend to lean on the breadth of our portfolio as we navigate market conditions for the balance of this year.

Restoring salmon habitats in the Pacific Northwest

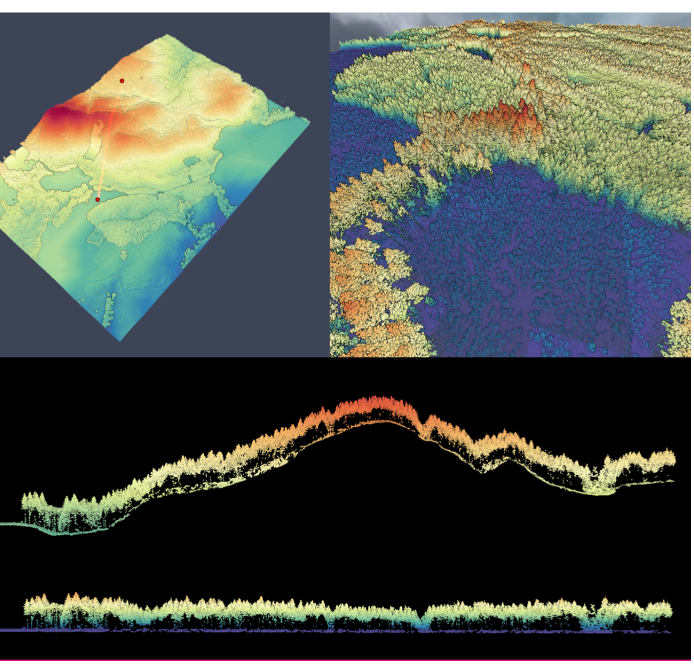
We have upgraded 750 culverts and bridges and opened 220 miles of rivers and streams to restore salmon habitats over the past 20 years.

Foresters add drones to their toolkits

Our foresters use drones across our ownership to manage land with a new perspective, which increases safety, reduces costs and optimizes their time.

Winch-assisted logging provides safer working conditions

We work with logging contractors to incorporate winch-assist machines in steep slope harvesting, creating safer conditions for loggers and the environment.



LiDAR improves decision-making

Our team uses a 3D representation of the terrain and tree canopy to aid with harvest planning, support silvicultural decision-making and enhance forest inventory data.

With our breadth of market and product exposure across the U.S. South, Pacific Northwest and New Zealand, we feel well-positioned to capture upticks in our various product and geographic markets, as well as sufficiently diversified to weather short-term market disruptions.

At any given time, some portion of our portfolio may be either exposed to or poised to benefit from potential short-term market disruptions. We regularly discuss, from an enterprise risk management perspective, various potential risks to our business, many of which are outside our control. We also factor in the diversification aspects of our portfolio when considering various portfolio moves. We try to maintain a perspective of never being satisfied with our portfolio, and believe this vigilance has helped us maintain a very well-diversified portfolio that is well-positioned for relative outperformance over the long term.

ESG Reporting Evolution

The drumbeat for more extensive Environmental, Social and Governance (ESG) reporting is getting louder and louder, while actual reporting standards continue to develop and evolve from an infancy stage. At Rayonier, we've worked over the past year to better understand the various ESG reporting frameworks and to prepare our disclosures in a way that reflects our business and the priorities that both our Board and leadership team focus on in this arena. To this end, we rolled out a new ESG web page (https://www.rayonier.com/sustainability/responsible-stewardship) as a starting point in this expanded ESG reporting. We've also adopted the Sustainability Accounting Standards Board (SASB) reporting framework with which to map our ESG disclosures, while recognizing that this SASB framework does not fully address all of the ESG aspects of our business.

When approaching ESG reporting, a central tenet of our approach is to provide transparent disclosure on our sustainable harvest level, which we have done since the spin-off in 2014. While none of our peers report their respective sustainable harvest levels and none of the ESG reporting frameworks focus on this particular metric, we believe it is a critically important aspect of ESG reporting. We define our 10 million tons of sustainable harvest as the harvest level we can achieve into perpetuity. We provide this metric not only for the entire company, but for each of our three timber operating segments. Related to this disclosure is the need to have systems and processes to verify both our growth and yield models and our merchantable timber inventory in order to ensure the accuracy of our sustainable harvest level. Every year, we perform cut-out analyses on completed harvest blocks to test the accuracy of the projected harvest volume coming out of our timber inventory system. In addition, every year we perform inventory verification cruises, which capture detailed timber inventory data across thousands of inventory plots, to validate our growth and yield models and to make adjustments to our merchantable timber inventory as needed. Lastly, we review these analyses with our Board each year before updating our 10-K disclosures.

We expect ESG reporting to continue to evolve in the years to come, based on a mix of company specific reporting priorities, changes to third-party ESG reporting platforms, and increased interest from investors. We believe that we have a very good ESG story to report, but we want to be thoughtful and authentic in how we approach it. Thus, we intend to roll out our ESG reporting in a manner that is consistent with how we think about our business, as opposed to putting out information that simply checks boxes to comply with third-party reporting frameworks or ratings criteria.

Role of Wood in Fighting Climate Change

As the world becomes increasingly aware of the potential impacts of climate change, there is a greater recognition of the role wood can play in combatting the effects of man-made carbon emissions. It is now more broadly understood the role trees, through photosynthesis, play in sequestering and storing atmospheric carbon. In addition, there is greater recognition that downstream solid wood products, such as lumber, can store sequestered carbon indefinitely. In a related context, there is also greater recognition of the higher relative energy consumption and carbon emission footprint of competing building materials such as steel and concrete. For all of these reasons, we are seeing a surge in awareness of and interest in building with wood.

When approaching ESG reporting, a central tenet of our approach is to provide transparent disclosure on our sustainable harvest level, which we have done since the spin-off in 2014.

We believe the wider use and acceptance of regulated carbon trading schemes, like we have in New Zealand, will both facilitate the wider use of wood as a building material and potentially credit timberland owners like Rayonier with an extra layer of value that improves the financial returns associated with growing trees.

This growing interest in wood-based construction has manifested itself in the growth of mass timber, with a particular focus on cross-laminated timber (CLT), which is formed by gluing lumber together in an alternating orientation to form a sturdy, thick panel for construction. The greater use of CLT, which has been facilitated by the growing acceptance of mass timber in building codes, including for mid-rise and even high-rise buildings, is just now starting to penetrate the North American market after having enjoyed considerable acceptance in European markets for a number of years. We are seeing more CLT facilities being constructed in the U.S. to support major commercial projects such as the new Walmart headquarters campus. In addition to being good for the environment, we expect that this growth in future CLT demand will continue to help the timber and wood products sectors penetrate the large commercial construction market.

Staying Focused on Our Mission

In last year's letter, I touched on our progress towards achieving our vision of having the best-in-class assets, operations, disclosure and transparency, while being the preferred employer for forestry and land management professionals and the preferred timberland investment vehicle for institutional investors. We remain steadfastly committed to achieving this vision and believe that each element of this vision is critically important to furthering our overall mission of providing industry leading financial returns to our shareholders while serving as a responsible steward of our lands. Our Board, leadership team and employees work hard to stay focused on growing long-term value per share, while at the same time striving to deliver competitive short-term results.

While faced with strong headwinds in a number of our markets in 2019, we nevertheless delivered a total shareholder return of 22.5% despite some intermittent periods of significant volatility. As we enter 2020, the current economic and financial market fallout from the coronavirus pandemic is creating new challenges across our markets and operations. The same adaptive and flexible management responsiveness we needed to navigate last year's challenges will be tested again in 2020.

Overall, I am pleased with the progress we have made towards achieving our vision while maintaining the balance of delivering solid annual performance year after year. I credit some of this to our nimble approach to capital allocation decision making, and would also like to thank our dedicated employees for their continued engagement and commitment towards achieving our vision. I would also like to recognize our leadership team and Board for working together to create a culture that facilitates this mission and positions Rayonier for future success. Lastly, I would like to thank our shareholders for your continued trust in our stewardship of your investment in Rayonier. As we near the anticipated mid-year Pope transaction closing, I look forward to welcoming Pope unitholders into the ranks of our shareholder base. As always, we welcome your input and feedback.

David L. Nunes
President and Chief Executive Officer

Reconciliation of Non-GAAP Measures

(Dollars in millions, except per share amounts)	**2019**		2018		2017	
PRO FORMA SALES[a]						
Sales	**$711.6**		$816.1		$ 819.6	
Large Dispositions[b]	—		—		(95.4)	
Pro Forma Sales	**$711.6**		$816.1		$ 724.2	
PRO FORMA OPERATING INCOME[c]						
Operating Income	**$107.0**		$170.1		$ 215.5	
Large Dispositions[b]	—		—		(67.0)	
Costs related to shareholder litigation[d]	—		—		0.7	
Pro Forma Operating Income	**$107.0**		$170.1		$ 149.2	
PRO FORMA NET INCOME[e]		**Per diluted share**		Per diluted share		Per diluted share
Net Income attributable to Rayonier Inc.	**$ 59.1**	**$0.46**	$102.2	$ 0.79	$ 148.8	$ 1.16
Large Dispositions[b]	—	—	—	—	(67.0)	(0.52)
Costs related to shareholder litigation[d]	—	—	—	—	0.7	0.01
Pro Forma Net Income	**$ 59.1**	**$0.46**	$102.2	$ 0.79	$ 82.5	$ 0.65

(a) ***Pro Forma Sales*** *is defined as revenue adjusted for Large Dispositions. Rayonier believes that this non-GAAP financial measure provides investors with useful information to evaluate our core business operations because it excludes specific items that are not indicative of ongoing operating results.*

(b) ***Large Dispositions*** *are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have a demonstrable premium relative to timberland value.*

(c) ***Pro Forma Operating Income*** *is defined as operating income adjusted for costs related to shareholder litigation and Large Dispositions. Rayonier believes that this non-GAAP financial measure provides investors with useful information to evaluate our core business operations because it excludes specific items that are not indicative of ongoing operating results.*

(d) ***Costs related to shareholder litigation*** *is defined on page 28 within this Annual Report on Form 10-K.*

(e) ***Pro Forma Net Income*** *is defined as net income attributable to Rayonier Inc. adjusted for costs related to shareholder litigation and Large Dispositions. Rayonier believes that this non-GAAP financial measure provides investors with useful information to evaluate our core business operations because it excludes specific items that are not indicative of ongoing operating results.*

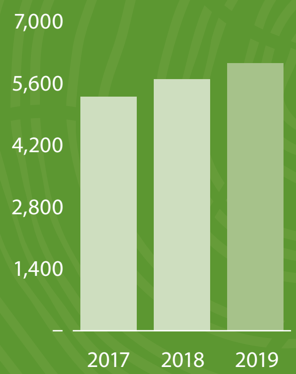
*Rayonier Timberland Acreage**
Total: 2.6 million acres

*(*Acreage in 000's as of 12/31/2019)*

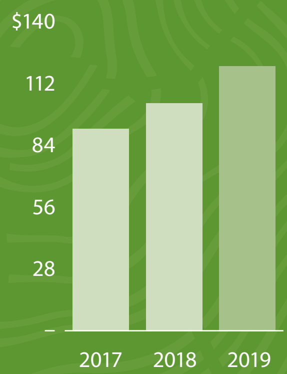
U.S. South

- Acreage: 1.8mm acres
- Sustainable Yield: 6.1–6.5mm tons
- Planted/Plantable: 67%
- Average Site Index[(1)]: 72 feet

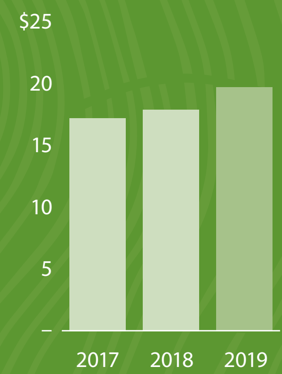
Harvest Volume
(Tons in thousands)



Adjusted EBITDA
(Dollars in millions)



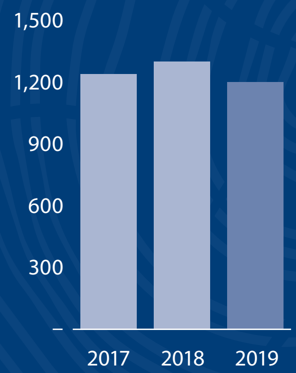
Adj. EBITDA/Ton
(Dollars per ton)



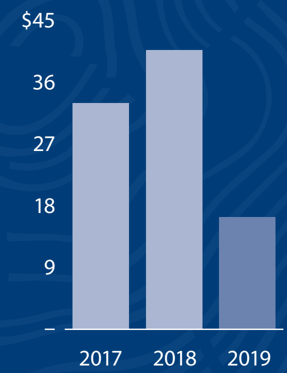
U.S. Pacific Northwest

- Acreage: 379,000 acres
- Sustainable Yield: 1.4mm tons
- Planted/Plantable: 79%
- Average Site Index[(2)]: 116 feet

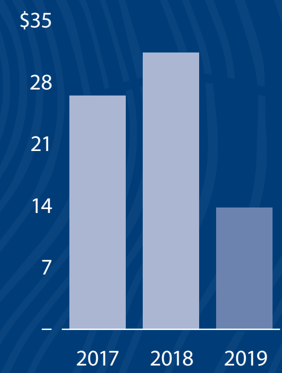
Harvest Volume
(Tons in thousands)



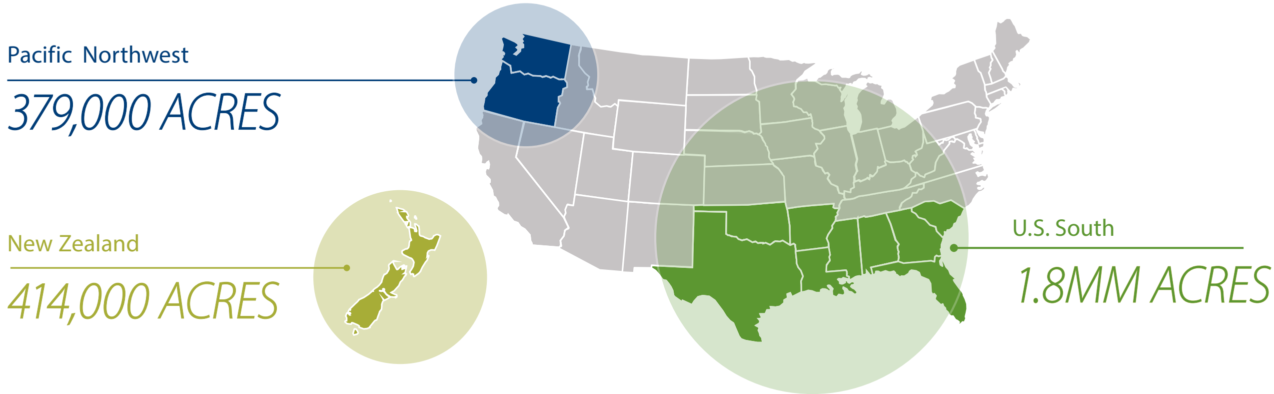
Adjusted EBITDA
(Dollars in millions)



Adj. EBITDA/Ton
(Dollars per ton)



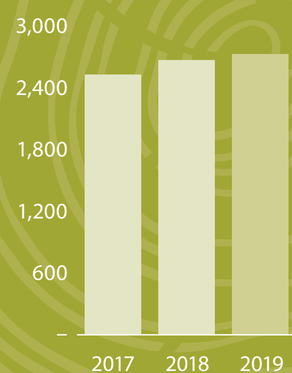
[(1)] *Site index reflects the average height of the dominant and codominant trees at a base age of 25.*
[(2)] *Site index reflects the average height of the dominant and codominant trees at a base age of 50.*



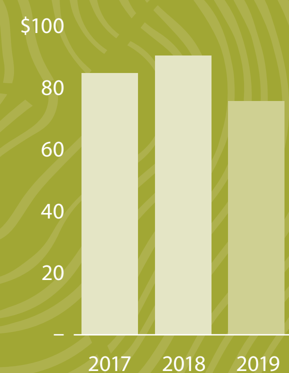
New Zealand

- Acreage: 414,000 acres
- Sustainable Yield: 2.4–2.7mm tons
- Planted/Plantable: 71%
- Average Site Index[3]: 94 feet

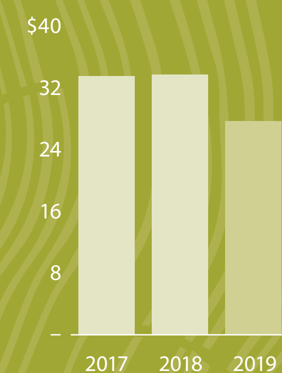
Harvest Volume
(Tons in thousands)



Adjusted EBITDA
(Dollars in millions)



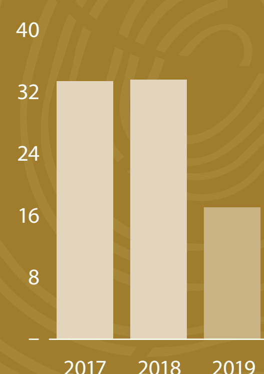
Adj. EBITDA/Ton
(Dollars per ton)



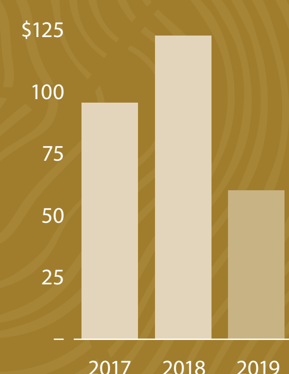
Real Estate

- Focused on Monetizing Higher-and-Better-Use Timberlands
- ~200,000 Acres in I-95 Coastal Corridor
- ~56,000 Acres with Land Use Entitlements
- Two Active Development Projects: Wildlight and Richmond Hill

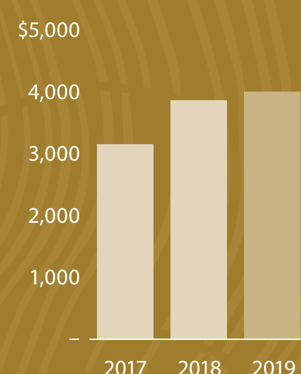
Acres Sold[4]
(Acres in thousands)



Adjusted EBITDA[4]
(Dollars in millions)



Price/Acre[5]
(Dollars per acre)



[3] Site index reflects the average height of the dominant and codominant trees at a base age of 20.
[4] Excludes Large Dispositions.
[5] Excludes Large Dispositions and Improved Development.

Forward-Looking Statements

In addition to historical information, this Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements, which are based on current expectations, estimates and projections about the industry and markets in which Rayonier and Pope operate and beliefs of and assumptions made by Rayonier's management and Pope's management, involve uncertainties that could significantly affect the financial or operating results of Rayonier, Pope or the combined company. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "will," "should," "may," "projects," "could," "estimates" or variations of such words and other similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature, but not all forward-looking statements include such identifying words.

Such forward-looking statements include, but are not limited to, projections of earnings, statements of plans for future operations or expected revenues, statements about the benefits of the proposed transaction involving Rayonier and Pope, including future financial and operating results, the combined company's plans, objectives, expectations and intentions. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future, including statements relating to (i) the expected benefits of the proposed transaction to stockholders, employees and other constituents of the combined company, (ii) the expected synergies and other cost savings as a result of completion of the proposed transaction, (iii) the expected timetable for completing the proposed transaction or integration of the two companies, (iv) the general economic conditions in the geographic areas where Rayonier or Pope operate, (v) creating value for stockholders, (vi) changes in timber prices, (vii) changes in sales or contribution volume of developed properties and (viii) the availability of capital to finance the proposed transactions are each forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Although we believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements.

The following important factors, among others, could cause actual results or events to differ materially from those expressed in forward-looking statements that may have been made in this document: risks associated with achieving expected synergies and other costs savings; risks associated with the ability to complete the proposed transaction on the terms contemplated or at all; the expected timing of the closing of the proposed transaction; the ability to successfully integrate our operations and employees following the closing of the proposed transaction; the cyclical and competitive nature of the industries in which we operate; fluctuations in demand for, or supply of, our forest products and real estate offerings; entry of new competitors into our markets; changes in global economic conditions and world events; fluctuations in demand for our products in Asia, and especially China; the uncertainties of potential impacts of climate-related initiatives; the cost and availability of third party logging and trucking services; the geographic concentration of a significant portion of our timberland; our ability to identify, finance and complete timberland acquisitions; changes in environmental laws and regulations regarding timber harvesting, delineation of wetlands, and endangered species, that may restrict or adversely impact our ability to conduct our business, or increase the cost of doing so; adverse weather conditions, natural disasters and other catastrophic events such as hurricanes, wind storms and wildfires, which can adversely affect our timberlands and the production, distribution and availability of our products; interest rate and currency movements; our capacity to incur additional debt; changes in tariffs, taxes or treaties relating to the import and export of our products or those of our competitors; changes in key management and personnel; our ability to meet all necessary legal requirements to continue to qualify as a real estate investment trust and changes in tax laws that could adversely affect beneficial tax treatment; the cyclical nature of the real estate business generally; a delayed or weak recovery in the housing market; the lengthy, uncertain and costly process associated with the ownership, entitlement and development of real estate, especially in Florida, which also may be affected by changes in law, policy and political factors beyond our control; unexpected delays in the entry into or closing of real estate transactions; changes in environmental laws and regulations that may restrict or adversely impact our ability to sell or develop properties; the timing of construction and availability of public infrastructure; and the availability of financing for real estate development and mortgage loans; the potential impact of announcement of the proposed transaction or consummation of the proposed transaction on relationships, including with employees and customers; the unfavorable outcome of any legal proceedings that have been or may be instituted against Rayonier or Pope; the amount of the costs, fees, expenses and charges related to the proposed transaction and the actual terms of the financings that may be obtained in connection with the proposed transaction; those additional risks and factors discussed in reports filed with the Securities and Exchange Commission (the "SEC") by Rayonier and Pope from time to time, including those discussed under the heading "Risk Factors" in their respective most recently filed reports on Form 10-K and 10-Q. Except to the extent required by applicable law or regulation, Rayonier disclaims any duty to update any forward-looking statements contained in this communication or to otherwise update any of the above-referenced factors.

Non-GAAP Financial Measures

To supplement Rayonier's financial statements presented in accordance with generally accepted accounting principles in the United States ("GAAP"), Rayonier uses certain non-GAAP measures, including "cash available for distribution," and "Adjusted EBITDA," which are defined and further explained in this communication. Reconciliation of such measures to the nearest GAAP measures can also be found in this communication. Rayonier's definitions of these non-GAAP measures may differ from similarly titled measures used by others. These non-GAAP measures should be considered supplemental to, and not a substitute for, financial information prepared in accordance with GAAP.

Important Additional Information and Where to Find It

In connection with the proposed merger, Rayonier and its subsidiary, Rayonier Operating Partnership LP, will file with the SEC a registration statement on Form S-4 to register the shares of Rayonier common stock and units representing partnership interests in Rayonier Operating Partnership LP to be issued in connection with the merger. The registration statement will include a proxy statement/prospectus which will be sent to the stockholders of Pope Resources seeking their approval of the merger-related proposals. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT ON FORM S-4 AND THE RELATED PROXY STATEMENT/PROSPECTUS, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS AND ANY OTHER RELEVANT DOCUMENTS TO BE FILED WITH THE SEC IN CONNECTION WITH THE PROPOSED MERGER, WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT RAYONIER, POPE RESOURCES AND THE PROPOSED TRANSACTION.

Investors and security holders may obtain copies of these documents free of charge through the website maintained by the SEC at www.sec.gov or from Rayonier at its website, www.rayonier.com, or from Pope Resources at its website, www.poperesources.com. Documents filed with the SEC by Rayonier will be available free of charge by accessing Rayonier's website at www.rayonier.com under the heading Investor Relations, or, alternatively, by directing a request by telephone or mail to Rayonier at 1 Rayonier Way, Wildlight, FL 32097, and documents filed with the SEC by Pope Resources will be available free of charge by accessing Pope Resources' website at www.poperesources.com under the heading Investor Relations or, alternatively, by directing a request by telephone or mail to Pope Resources at 19950 Seventh Avenue NE, Suite 200, Poulsbo, WA 98370.

Participants in the Solicitation

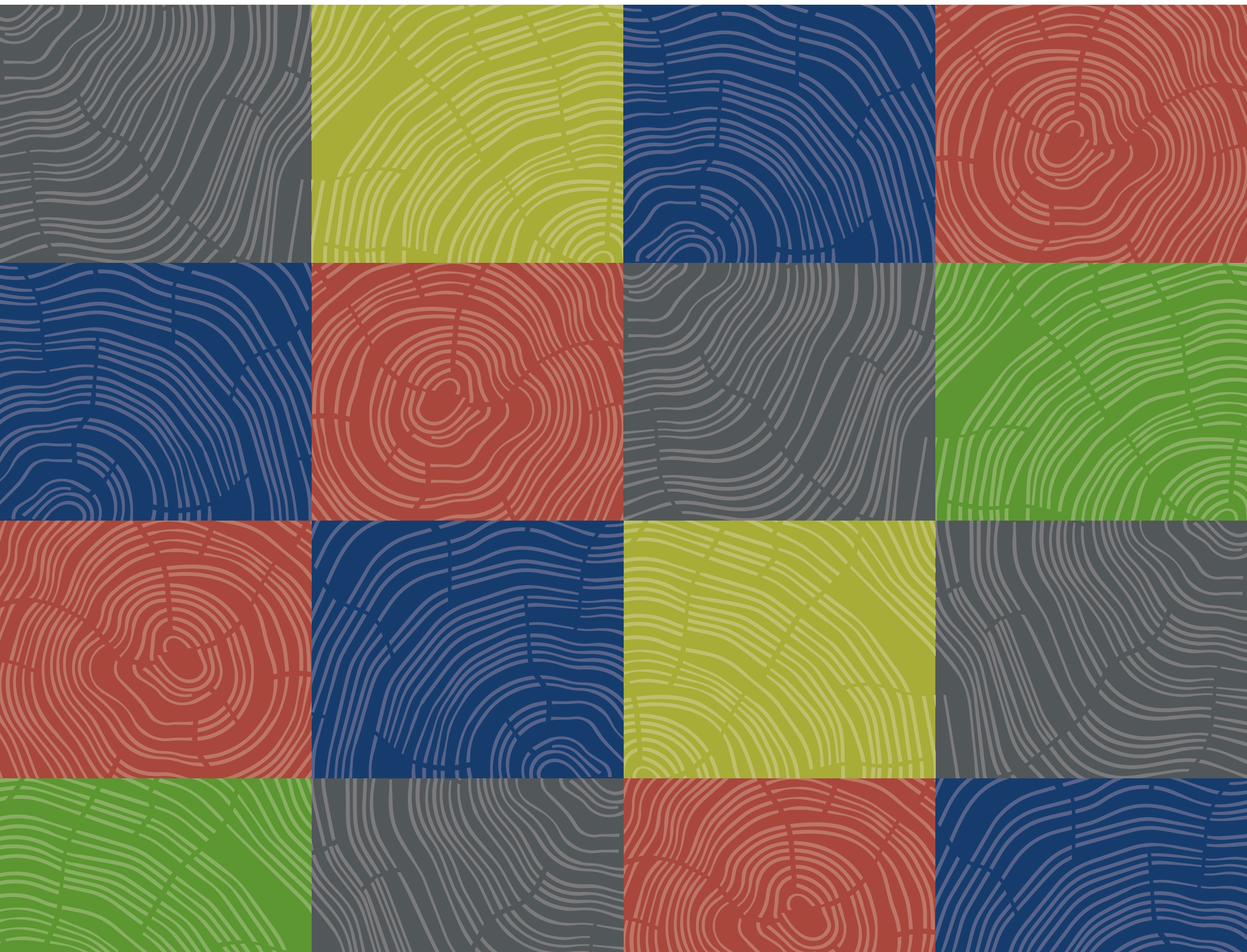
Rayonier and Pope Resources and certain of their respective directors and executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies from the stockholders of Pope Resources in respect of the proposed transaction under the rules of the SEC. Information about Pope Resources' directors and executive officers is available in Pope Resources' Annual Report on Form 10-K and certain of its Current Reports on Form 8-K. Information about Rayonier's directors and executive officers is available in Rayonier's proxy statement dated April 1, 2020 for its 2020 Annual Meeting of Stockholders, and certain of its Current Reports on Form 8-K. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC regarding the merger when they become available. Investors should read the proxy statement/prospectus carefully when it becomes available before making any voting or investment decisions. You may obtain free copies of these documents from Rayonier or Pope Resources using the sources indicated above.

No Offer or Solicitation

This Report shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

Rayonier™

FORM 10-K



UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2019

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™

RAYONIER INC.

(Exact name of registrant as specified in its charter)
Incorporated in the State of North Carolina

I.R.S. Employer Identification No. 13-2607329

1 RAYONIER WAY
WILDLIGHT, FL 32097
(Principal Executive Office)

Telephone Number: (904) 357-9100

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol	Exchange
COMMON SHARES, NO PAR VALUE	RYN	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ☐ No ☒

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐		
Non-accelerated Filer	☐	Smaller Reporting Company	☐	Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The aggregate market value of the Common Shares of the registrant held by non-affiliates at the close of business on June 30, 2019 was $3,904,678,995 based on the closing sale price as reported on the New York Stock Exchange.

As of February 14, 2020, there were outstanding 129,333,462 Common Shares of the registrant.

Portions of the registrant’s definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the 2020 annual meeting of the shareholders of the registrant scheduled to be held May 14, 2020, are incorporated by reference in Part III hereof.

TABLE OF CONTENTS

PART I

When we refer to “we,” “us,” “our,” “the Company,” or “Rayonier,” we mean Rayonier Inc. and its consolidated subsidiaries. References herein to “Notes to Financial Statements” or “Note” refer to the Notes to the Consolidated Financial Statements of Rayonier Inc. included in Item 8 of this Report.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements in this document regarding anticipated financial outcomes, including Rayonier’s earnings guidance, if any, business and market conditions, outlook, expected dividend rate, business strategies, harvest schedules, timberland acquisitions, timberland sales, the anticipated benefits of Rayonier’s business strategies, and other similar statements relating to future events, developments, or financial or operational performance or results, are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements are identified by the use of words such as “may,” “will,” “should,” “expect,” “estimate,” “believe,” “intend,” “project,” “anticipate” and other similar language. However, the absence of these or similar words or expressions does not mean that a statement is not forward-looking. While management believes that these forward-looking statements are reasonable when made, forward-looking statements are not guarantees of future performance or events and undue reliance should not be placed on these statements. The risk factors contained in Item 1A — Risk Factors in this Annual Report on Form 10-K and similar discussions included in other reports that we subsequently file with the SEC, among others, could cause actual results or events to differ materially from the Company’s historical experience and those expressed in forward-looking statements made in this document.

Forward-looking statements are only as of the date they are made, and the Company undertakes no duty to update its forward-looking statements except as required by law. You are advised, however, to review any subsequent disclosures the Company makes on related subjects in its subsequent reports filed with the SEC.

Item 1. BUSINESS

GENERAL

We are a leading timberland real estate investment trust (“REIT”) with assets located in some of the most productive softwood timber growing regions in the U.S. and New Zealand. The focus of our business is to invest in timberlands and to actively manage them to provide current income and attractive long-term returns to our shareholders. As of December 31, 2019, we owned, leased or managed approximately 2.6 million acres of timberlands located in the U.S. South (1.84 million acres), U.S. Pacific Northwest (379,000 acres) and New Zealand (414,000 gross acres, or 295,000 net plantable acres). In addition, we engage in the trading of logs from New Zealand and Australia to Pacific Rim markets, primarily to support our New Zealand export operations. We have an added focus to maximize the value of our land portfolio by pursuing higher and better use (“HBU”) land sale opportunities.

We originated as the Rainier Pulp & Paper Company founded in Shelton, Washington in 1926. On June 27, 2014, Rayonier completed the tax-free spin-off of its Performance Fibers manufacturing business from its timberland and real estate operations, thereby becoming a “pure-play” timberland REIT.

Under our REIT structure, we are generally not required to pay U.S. federal income taxes on our earnings from timber harvest operations and other REIT-qualifying activities contingent upon meeting applicable distribution, income, asset, shareholder and other tests. As of December 31, 2019 and as of the date of the filing of this Annual Report on Form 10-K, we believe the Company is in compliance with all REIT tests. See Note 10 — Income Taxes for further discussion of REIT and non-REIT qualifying operations.

Our shares are publicly traded on the NYSE under the symbol RYN. We are a North Carolina corporation with executive offices located at 1 Rayonier Way, Wildlight, Florida 32097. Our telephone number is (904) 357-9100.

OUR COMPETITIVE STRENGTHS

We believe that we distinguish ourselves from other timberland owners and managers through the following competitive strengths:

- *Leading Pure-Play Timberland REIT*. We are differentiated from other publicly-traded timberland REITs in that we are invested exclusively in timberlands and real estate and do not own any pulp, paper or wood products manufacturing assets. We are the largest publicly-traded "pure-play" timberland REIT, which provides our investors with a focused, large-scale timberland investment alternative without taking on the risks and volatility inherent in direct ownership of forest products manufacturing assets.

- *Located in Premier Softwood Growing Regions with Access to Strong Markets*. Our geographically diverse timberland holdings are strategically located in core softwood producing regions, including the U.S. South, U.S. Pacific Northwest and New Zealand. Our most significant timberland holdings are located in the U.S. South, in close proximity to a variety of established pulp, paper and wood products manufacturing facilities, which provide a steady source of competitive demand for both pulpwood and higher-value sawtimber products. Our Pacific Northwest and New Zealand timberlands benefit from strong domestic sawmilling markets and are located near ports to capitalize on export markets serving the Pacific Rim.

- *Sophisticated Log Marketing Capabilities Serving Various Pacific Rim Markets*. We conduct a log trading operation based in New Zealand that serves timberland owners in New Zealand and Australia, providing access to key export markets in China, South Korea and India. This operation provides us with superior market intelligence and economies of scale, both of which add value to our New Zealand timber portfolio. It also provides additional market intelligence that helps our Southern and Pacific Northwest export log marketing and contributes to the Company's earnings and cash flows, with minimal investment.

- *Attractive Land Portfolio with HBU Potential*. We own approximately 200,000 acres of timberlands located in the vicinity of Interstate 95 primarily north of Daytona Beach, FL and south of Savannah, GA, some of which have the potential to transition to HBU over time as market conditions support increased demand. These properties further provide us with select opportunities to add value to our portfolio through real estate development activities, which we believe will allow us to periodically sell parcels of such land at favorable valuations relative to timberland values through one of our taxable REIT subsidiaries.

- *Dedicated HBU Platform with Established Track Record.* We have a dedicated HBU platform led by an experienced team with an established track record of selling rural and development HBU properties across our U.S. South holdings at strong premiums to timberland values. We maintain a detailed land classification analysis of our portfolio, which allows us to identify the highest-value use of our lands and then capitalize on identified HBU opportunities through strategies uniquely tailored to maximize value, including selectively pursuing land-use entitlements and infrastructure improvements.

- *Advantageous Structure and Capitalization*. Under our REIT structure, we are generally not required to pay federal income taxes on our earnings from timber harvest operations and other REIT-qualifying activities, which allows us to optimize the value of our portfolio in a tax efficient manner. We also maintain a strong credit profile and have an investment grade debt rating. As of December 31, 2019, our net debt to enterprise value was 19%. We believe that our advantageous REIT structure and conservative capitalization provide us with a competitive cost of capital and significant financial flexibility to pursue growth initiatives.

OUR STRATEGY

Our business strategy consists of the following key elements:

- *Manage our Timberlands on a Sustainable Yield Basis for Long-term Results.* We generate recurring income and cash flow from the harvest and sale of timber and intend to actively manage our timberlands to maximize net present value over the long term by achieving an optimal balance among biological timber growth, generation of cash flow from harvesting activities, and responsible environmental stewardship. Our harvesting strategy is designed to produce a long-term, sustainable yield, although we may adjust harvest levels periodically in response to then-current market conditions.

- *Apply Advanced Silviculture to Increase the Productivity of our Timberlands.* We use our forestry expertise and disciplined financial approach to determine the appropriate silviculture programs and investments to maximize returns. This includes re-planting a significant portion of our harvested acres with improved seedlings we have developed through decades of research and cultivation. Over time, we expect these improved seedlings will result in higher volumes per acre and a higher value product mix.

- *Increase the Size and Quality of our Timberland Holdings through Acquisitions.* We intend to selectively pursue timberland acquisition opportunities that improve the average productivity of our timberland holdings and support cash flow generation from our annual harvesting activities. We expect there will be an ample supply of attractive timberlands available for sale as a result of anticipated sales from a number of Timberland Investment Management Organizations ("TIMOs"). Our acquisition strategy employs a disciplined approach with rigorous adherence to strategic and financial metrics. Generally, we expect to focus our acquisition efforts on the most commercially desirable timber-producing regions of the U.S. South, the U.S. Pacific Northwest and New Zealand, particularly on timberlands with a geographic distribution and age-class profile that are complementary to our existing timberland holdings. We may also consider acquisition opportunities outside of our existing operating areas where we anticipate favorable long-term market dynamics and financial returns. We acquired 69,000 acres of fee timberland in 2019, 26,000 acres in 2018 and 90,000 acres in 2017. Additionally, we acquired leases or long-term forestry rights covering approximately 2,000 acres in 2019, 4,000 acres in 2018, and 19,000 acres in 2017.

- *Optimize our Portfolio Value.* We continuously assess potential alternative uses of our timberlands, as some of our properties may become more valuable for development, residential, recreation or other purposes. We intend to capitalize on such higher-valued uses by opportunistically monetizing HBU properties in our portfolio. While the majority of our HBU sales involve rural and recreational land, we also selectively pursue various land-use entitlements on certain properties for residential, commercial and industrial development in order to fully realize the enhanced long-term value potential of such properties. For selected development properties, we also invest in infrastructure improvements, such as roadways and utilities, to accelerate the marketability and improve the value of such properties. We generally expect that sales of HBU property will comprise approximately 1% to 2% of our Southern timberland holdings on an annual basis.

- *Focus on Timberland Operations to Support Cash Flow Generation.* As described above, we rely primarily on annual harvesting activities and ongoing sales of HBU properties to generate cash flow from our timberland holdings. However, we also periodically generate income and cash flow from the sale of non-strategic and/or non-HBU timberlands, in particular as we seek to optimize our portfolio by disposing of less desirable properties or to fund capital allocation priorities, including share repurchases, debt repayment or acquisitions. Our strategy is to limit reliance on planned sales of non-HBU timberlands to augment cash flow generation and instead rely primarily on supporting cash flow from the operation, rather than sale, of our timberlands. We believe this strategy will support the sustainability of our harvesting activities over the long term.

- *Promote Responsible Stewardship and Best-in-Class Disclosure.* We are committed to responsible stewardship and environmentally and economically sustainable forestry. As such, we are focused on continuing to develop and integrate robust environmental, social and governance ("ESG") policies and best practices within our business. We further intend to be an industry leader in transparent disclosure, particularly relating to our timberland holdings, harvest schedules, inventory, age-class profiles and other meaningful data regarding our long-term sustainability. We believe our continued commitment to transparency and the stewardship of our assets and capital will allow us to maintain our timberlands' productivity, more effectively attract and deploy capital and enhance our reputation as a preferred timber industry supplier and employer.

SEGMENT INFORMATION

Rayonier operates in five reportable business segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Real Estate and Trading. See Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 5 — Segment and Geographical Information for information on sales and operating income by reportable segment and geographic region.

TIMBER

The Company's timber businesses are disaggregated into Southern Timber, Pacific Northwest Timber and New Zealand Timber segments. Sales in the Timber segments include all activities related to the harvesting of timber in addition to lease and license activities, other non-timber activities and carbon credit sales.

DISCUSSION OF TIMBER INVENTORY AND SUSTAINABLE YIELD

We define gross timber inventory as an estimate of all standing timber volume beyond the specified age at which we commence calculating our timber inventory for inclusion in our inventory tracking systems. The age at which we commence calculating our timber inventory is 10 years for our Southern timberlands, 20 years for our Pacific Northwest timberlands, and 20 years for our New Zealand timberlands. Our estimate of gross timber inventory is based on an inventory system that involves periodic statistical sampling and growth modeling. Periodic adjustments are made on the basis of growth estimates, harvest information, and environmental and operational restrictions. Gross timber inventory includes certain timber that we do not deem to be of a merchantable age as well as certain timber located in restricted, environmentally sensitive or economically inaccessible areas.

We define merchantable timber inventory as an estimate of timber volume beyond a specified age that approximates such timber's earliest economically harvestable age. Our estimate includes certain timber located in restricted or environmentally sensitive areas based on an estimate of lawfully recoverable volumes from such areas. The estimate does not include volumes in restricted or environmentally sensitive areas that may not be lawfully harvested or volumes located in economically inaccessible areas. The merchantable age (*i.e.*, the age at which timber moves from pre-merchantable to merchantable) is 15 years for our Southern timberlands, with the exception of Oklahoma which is 17 years, 35 years for our Pacific Northwest timberlands, and 20 years for radiata pine and 30 years for Douglas-fir in our New Zealand timberlands. Our estimated merchantable timber inventory changes over time as timber is harvested, as pre-merchantable timber transitions to merchantable timber, as existing merchantable timber inventory grows, as we acquire and sell timberland and as we periodically update our statistical sampling and growth and yield models. We estimate our merchantable timber inventory annually for purposes of calculating per unit depletion rates.

Timber inventory is generally measured and expressed in short green tons (SGT) in our Southern timberlands, in thousand board feet (MBF) or million board feet (MMBF) in our Pacific Northwest timberlands, and in cubic meters (m^3) in our New Zealand timberlands. For conversion purposes, one MBF and one m^3 is equal to approximately 8.0 and 1.12 short green tons, respectively. For comparison purposes, we provide inventory estimates for our Pacific Northwest and New Zealand timberlands in MBF and cubic meters, respectively, as well as in short green tons.

The following table sets forth the estimated volumes of merchantable timber inventory by location in short green tons as of September 30, 2019 for the South and Pacific Northwest and as of December 31, 2019 for New Zealand:

(volumes in thousands of SGT) Location	Merchantable Inventory (a)	%
South	67,742	74
Pacific Northwest	7,120	8
New Zealand	16,350	18
	91,212	100

(a) For all regions, depletion rate calculations for the upcoming year are based on estimated volumes of merchantable inventory at December 31, 2019.

We define sustainable yield as the average harvest level that can be sustained into perpetuity based on our estimates of biological growth and the expected productivity resulting from our reforestation and silvicultural efforts. Our estimated sustainable yield may change over time based on changes in silvicultural techniques and resulting timber yields, changes in environmental laws and restrictions, changes in the statistical sampling and estimates of our merchantable timber inventory, acquisitions and dispositions of timberlands, the expiration or renewal of timberland leases, casualty losses, and other factors. Moreover, our harvest level in any given year may deviate from our estimated sustainable yield due to variations in the age class of our timberlands, the product mix of our harvest (*i.e.*, pulpwood versus sawtimber), our deliberate acceleration or deferral of harvest in response to market conditions, our thinning activity (in which we periodically remove some smaller trees from a stand to enhance long-term sawtimber potential of the remaining timber), or other factors. We estimate sustainable yield for each of our Timber segments as of December 31, 2019.

We manage our U.S. timberlands in accordance with the requirements of the Sustainable Forestry Initiative® ("SFI") program. The timberland holdings of the New Zealand subsidiary are certified under the Forest Stewardship Council® ("FSC"). The majority of our New Zealand timberland holdings are also certified under the Programme for the Endorsement of Forest Certification ("PEFC"). All programs are comprehensive systems of environmental principles, objectives and performance measures that combine the perpetual growing and harvesting of trees with the protection of wildlife, plants, soil and water quality. Through application of our site-specific silvicultural expertise and financial discipline, we manage timber in a way that is designed to optimize site preparation, tree species selection, competition control, fertilization, timing of thinning and final harvest. We also have a genetic seedling improvement program to enhance the productivity and quality of our timberlands and overall forest health. In addition, non-timber income opportunities associated with our timberlands such as recreational licenses, as well as considerations for the future HBU of the land, are integral parts of our site-specific management philosophy. All of these activities are designed to maximize value while complying with SFI, FSC and PEFC requirements.

SOUTHERN TIMBER

As of December 31, 2019, our Southern timberlands acreage consisted of approximately 1.84 million acres (including approximately 161,000 acres of leased lands) located in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Oklahoma, South Carolina and Texas. Approximately two-thirds of this land supports intensively managed plantations of predominantly loblolly and slash pine. The other one-third of this land is too wet to support pine plantations, but supports productive natural stands primarily consisting of natural pine and a variety of hardwood species. Rotation ages typically range from 21 to 28 years for pine plantations and from 35 to 60 years for natural stands. Key consumers of our timber include pulp, paper, wood products and biomass facilities.

We estimate that the gross timber inventory and merchantable timber inventory of our Southern timberlands was 85 million tons and 68 million tons, respectively, as of September 30, 2019. We estimate that the sustainable yield of our Southern timberlands, including both pine and hardwoods, is approximately 6.1 to 6.5 million tons annually. We expect that the average annual harvest volume of our Southern timberlands over the next five years (2020 to 2024) will be generally in line with our sustainable yield. For additional information, see Item 1 — Business — Discussion of Timber Inventory and Sustainable Yield and Item 1A — Risk Factors.

In 2019, we acquired approximately 60,000 acres of timberland in the Southern region. For additional information, see Note 3 — Timberland Acquisitions.

The following table provides a breakdown of our Southern timberlands acreage and timber inventory by product and age class as of September 30, 2019 (inventory volumes are estimated at December 31 to calculate a depletion rate for the upcoming year):

(volumes in thousands of SGT) Age Class	Acres (000's)	Pine Pulpwood	Pine Sawtimber	Hardwood Pulpwood	Hardwood Sawtimber	Total
Pine Plantation						
0 to 4 years (a)	224	—	—	—	—	—
5 to 9 years	192	—	—	—	—	—
10 to 14 years	220	8,912	1,013	37	—	9,962
15 to 19 years	255	13,671	4,549	110	1	18,331
20 to 24 years	185	7,206	6,812	112	2	14,132
25 to 29 years	62	2,217	3,179	82	2	5,480
30 + years	42	1,258	2,769	111	1	4,139
Total Pine Plantation	1,180	33,264	18,322	452	6	52,044
Natural Pine (Plantable) (b)	42	425	977	780	248	2,430
Natural Mixed Pine/Hardwood (c)	540	4,283	7,125	14,986	4,356	30,750
Forested Acres and Gross Inventory	1,762	37,972	26,424	16,218	4,610	85,224
Plus: Non-Forested Acres (d)	63					
Gross Acres	1,825					
Less: Pre-Merchantable Age Class Inventory (e)						(10,092)
Less: Volume in Environmentally Sensitive/Legally Restricted Areas						(7,390)
Merchantable Timber Inventory						67,742

(a) 0 to 4 years includes clearcut acres not yet replanted.
(b) Consists of natural stands that are convertible into pine plantations once harvested.
(c) Consists of all non-plantable natural stands, including those that are in environmentally sensitive or economically inaccessible areas.
(d) Includes roads, rights of way and all other non-forested areas.
(e) Includes inventory that is less than 15 years old or less than 17 years old in Oklahoma.

PACIFIC NORTHWEST TIMBER

As of December 31, 2019, our Pacific Northwest timberlands consisted of approximately 379,000 acres located in Oregon and Washington, of which approximately 300,000 acres were designated as productive acres, meaning land that is capable of growing merchantable timber and where the harvesting of timber is not constrained by physical, environmental or regulatory restrictions. These timberlands primarily comprise second and third rotation western hemlock and Douglas-fir, as well as a small amount of other softwood species, such as western red cedar. A small percentage also consists of natural hardwood stands of predominantly red alder. In the Pacific Northwest, rotation ages typically range from 35 to 50 years. Our product mix in the Pacific Northwest is heavily weighted to sawtimber, which is sold to domestic wood products facilities as well as exported primarily to Pacific Rim markets.

We estimate that the gross timber inventory and merchantable timber inventory of our Pacific Northwest timberlands was 2,811 MMBF and 891 MMBF, respectively, as of September 30, 2019. We estimate that the sustainable yield of our Pacific Northwest timberlands is approximately 175 to 180 MMBF (or 1.4 million tons) annually. We expect that the average annual harvest volume of our Pacific Northwest timberlands over the next five years (2020 to 2024) will be modestly below our sustainable yield. For additional information, see Item 1 — Business — Discussion of Timber Inventory and Sustainable Yield and Item 1A — Risk Factors.

In 2019, we acquired approximately 2,000 acres of timberlands in the Pacific Northwest region. For additional information, see Note 3 — Timberland Acquisitions.

The following table provides a breakdown of our Pacific Northwest timberlands acreage and timber inventory by product and age class as of September 30, 2019 (inventory volumes are estimated at December 31 to calculate a depletion rate for the upcoming year):

(volumes in MBF, except as noted) Age Class	Acres (000's)	Softwood Pulpwood (e)	Softwood Sawtimber (e)	Total
Commercial Forest				
0 to 4 years (a)	41	—	—	—
5 to 9 years	42	—	—	—
10 to 14 years	43	—	—	—
15 to 19 years	31	—	—	—
20 to 24 years	22	30,061	53,146	83,207
25 to 29 years	29	54,511	246,568	301,079
30 to 34 years	45	103,199	609,855	713,054
35 to 39 years	24	57,201	386,158	443,359
40 to 44 years	8	19,954	137,358	157,312
45 to 49 years	3	9,006	63,365	72,371
50+ years	7	21,053	162,017	183,070
Total Commercial Forest	295	294,985	1,658,467	1,953,452
Non-Commercial Forest (b)	5	4,788	30,831	35,619
Productive Forested Acres	300			
Restricted Forest (c)	66	99,170	723,147	822,317
Total Forested Acres and Gross Inventory	366	398,943	2,412,445	2,811,388
Plus: Non-Forested Acres (d)	13			
Gross Acres	379			
Less: Pre-Merchantable Age Class Inventory				(1,097,920)
Less: Restricted Forest Inventory				(822,317)
Total Merchantable Timber				891,151
Conversion factor for MBF to SGT				7.99
Total Merchantable Timber (thousands of SGT)				7,120

(a) 0 to 4 years includes clearcut acres not yet replanted.
(b) Includes non-commercial forests with limited productivity.
(c) Includes significant portions of riparian management zones, legally restricted forests, and environmentally sensitive areas.
(d) Includes roads, rights of way, and all other non-forested areas.
(e) Includes a minor component of hardwood in red alder and other species.

NEW ZEALAND TIMBER

As of December 31, 2019, our New Zealand timberlands consisted of approximately 414,000 acres (including approximately 229,000 acres of leased lands), of which approximately 295,000 acres (including approximately 154,000 acres of leased lands) were designated as productive or plantation acres, meaning land that is capable of growing merchantable timber and where the harvesting of timber is not constrained by physical, environmental or regulatory restrictions. The leased acres are generally leased through long-term arrangements including Crown Forest Licenses ("CFLs"), forestry rights and other leases. Our New Zealand timberlands serve a domestic sawmilling market and also export logs to Pacific Rim markets.

Our New Zealand timber operations are conducted by Matariki Forestry Group, a joint venture with Stafford Capital Partners Limited. The Company maintains a controlling financial interest of 77% in the New Zealand subsidiary and, accordingly, consolidates the New Zealand subsidiary's balance sheet and results of operations. The minority owner's interest in the New Zealand subsidiary and its earnings are reported as noncontrolling interest in our financial statements. Rayonier's wholly-owned subsidiary, Rayonier New Zealand Limited ("RNZ"), serves as the manager of the New Zealand subsidiary. For additional information, see Note 8 — New Zealand Subsidiary.

We estimate that the gross timber inventory and merchantable timber inventory of our New Zealand timberlands were both 14.6 million cubic meters as of December 31, 2019. We estimate that the sustainable yield of our New Zealand timberlands is approximately 2.1 to 2.4 million cubic meters (or 2.4 to 2.7 million tons) annually. We expect that the average annual harvest volume of our New Zealand timberlands over the next five years (2020 to 2024) will be at the higher end of our sustainable yield range. For additional information, see Item 1 — Business — Discussion of Timber Inventory and Sustainable Yield and Item 1A — Risk Factors.

In 2019, we acquired approximately 9,000 acres of timberland (including approximately 2,000 acres of leased land) in New Zealand. For additional information, see Note 3 — Timberland Acquisitions.

The following table provides a breakdown of our New Zealand timberlands acreage and timber inventory by product and age class as of December 31, 2019 (inventory volumes at December 31 are used to calculate a depletion rate for the upcoming year):

(volumes in thousands of m^3, except as noted) Age Class	Acres (000's)	Pulpwood	Sawtimber	Total
Radiata Pine				
0 to 4 years (a)	58	—	—	—
5 to 9 years	44	—	—	—
10 to 14 years	41	—	—	—
15 to 19 years	55	—	—	—
20 to 24 years	49	1,774	7,467	9,241
25 to 29 years	11	483	1,908	2,391
30 + years	3	184	530	714
Total Radiata Pine	261	2,441	9,905	12,346
Other (b)	34	1,082	1,205	2,287
Forested Acres and Merchantable Timber Inventory	295	3,523	11,110	14,633
Conversion factor for m^3 to SGT				1.12
Total Merchantable Timber (thousands of SGT)				16,350
Plus: Non-Productive Acres (c)	119			
Gross Acres	414			

(a) 0 to 4 years includes clearcut acres not yet replanted.
(b) Includes primarily Douglas-fir age 30 and over.
(c) Includes natural forest and other non-planted acres.

REAL ESTATE

All of our U.S. and New Zealand land or leasehold sales, including HBU and non-HBU, are reported in our Real Estate segment. We report our Real Estate sales in five categories:

- Improved Development,
- Unimproved Development,
- Rural,
- Timberlands & Non-Strategic, and
- Large Dispositions.

The Improved Development category comprises properties sold for development for which Rayonier, through a taxable REIT subsidiary, has invested in site improvements such as infrastructure, roadways, utilities, amenities and/or other improvements designed to enhance marketability and create parcels, pads and/or lots for sale.

The Unimproved Development category comprises properties sold for development for which Rayonier has not invested in site improvements.

The Rural category comprises properties sold in rural markets to buyers interested in the property for rural residential, recreational or other higher and better use purposes.

The Timberlands & Non-Strategic category includes U.S. and New Zealand: 1) sales of non-core timberlands that do not meet our strategic criteria, 2) sales of core timberlands for which we obtain attractive values, and 3) sales of properties to conservation interests that wish to preserve the land for habitat, public recreation, natural growth, buffer zones or other environmental purposes.

The Large Dispositions category includes sales of timberland that exceed $20 million in size and do not have a demonstrable premium relative to timberland value. Proceeds from Large Dispositions are generally used to fund capital allocation priorities, such as share repurchases, debt repayment or acquisitions. Sales designated as Large Dispositions are excluded from cash flow from operations and the calculation of Adjusted EBITDA and Cash Available for Distribution (“CAD”). See Item 7 — Performance and Liquidity Indicators for the definition of Adjusted EBITDA and CAD.

We maintain a detailed land classification analysis for all of our timberland and HBU acres. The vast majority of our HBU properties are managed as timberland and generate cash flow from timber operations prior to their sale or, in the case of Improved Development properties, prior to improvement.

TRADING

Our Trading segment primarily reflects log trading activities in New Zealand and Australia conducted by our New Zealand subsidiary. Our Trading segment complements the New Zealand Timber segment by providing added market intelligence, increasing the scale of export operations and achieving cost savings that directly benefit the New Zealand Timber segment. This additional market intelligence also benefits our Southern and Pacific Northwest export log marketing efforts. Trading activities are broadly categorized into procured logs, managed export services or marketing fees.

For procured logs, the New Zealand subsidiary buys logs directly from other forest owners at New Zealand ports and exports them in its own name. Income from this business is generated by achieving a sales margin over the purchase price of the procured logs. The New Zealand subsidiary, through the Trading segment, also purchases standing timber from time to time, whereby it manages the harvest and sale of the logs for approximately one to three years. In these instances, the cost of standing timber is capitalized as a current asset on the Consolidated Balance Sheets and recognized as non-depletion cost of sales when sold. Revenue generated from procured log sales reflects the full sales price of the logs and is recorded as timber sales within the Trading segment. In 2019, Trading volume from procured logs was approximately 1.1 million tons. Of this volume, approximately 299,000 tons were sourced from outside New Zealand, primarily Australia. Approximately 770,000 tons were purchased directly from third parties in New Zealand, while the remaining 38,000 tons were harvested from stumpage purchases. Approximately 52% of third-party purchases in New Zealand were purchased at spot prices, with the New Zealand subsidiary thereby assuming some price risk on subsequent resale. The remaining 48% were purchased on a fixed margin basis, with the New Zealand subsidiary earning either a fixed percentage of the net export revenue or a spread on the resale price irrespective of subsequent price fluctuations. The New Zealand subsidiary generally seeks to mitigate its risk of loss on procured logs by securing export orders prior to or concurrent with its spot purchases of logs.

For managed export services, the New Zealand subsidiary does not take title to the log cargo but arranges sales, shipping and export documentation services for other forest owners for an agreed commission. Managed export service arrangements are primarily used for logs sourced from third parties outside of New Zealand. Revenue generated from managed export services reflects only the commission earned on the sale, as the New Zealand subsidiary does not take title to the logs. Managed export service revenue is recorded as non-timber sales within the Trading segment.

The Trading segment also generates income from commissions and logistical services provided through our log trading activities. This income is recorded in other operating (expense) income, net as log trading marketing fees.

FOREIGN SALES AND OPERATIONS

Sales from non-U.S. operations occur in our Real Estate, New Zealand Timber and Trading segments and comprised approximately 50% of consolidated 2019 sales. See Note 5 — Segment and Geographical Information for additional information.

COMPETITION

TIMBER

Timber markets in our Southern and Pacific Northwest regions are relatively fragmented with price being the principal method of competition. In New Zealand, there are four other major private timberland owners accounting for approximately 32% of New Zealand planted forests.

The following table provides an overview of certain major competitors in each of our Timber segments:

Segment	Competitors
Southern Timber (a)	Weyerhaeuser Company
	CatchMark Timber Trust
	Hancock Timber Resource Group
	Resource Management Service
	Forest Investment Associates
	Campbell Global
Pacific Northwest Timber (a)	Weyerhaeuser Company
	Hancock Timber Resource Group
	Green Diamond Resource Company
	Campbell Global
	Port Blakely Tree Farms
	Pope Resources
	State of Washington Department of Natural Resources
	Bureau of Indian Affairs
New Zealand (b)	Hancock Natural Resource Group
	Kaingaroa Timberlands
	Ernslaw One
	OneFortyOne Plantations

(a) In addition to the competitors listed, we also compete with numerous other large and small privately held timber companies.
(b) The New Zealand subsidiary competes with these and other smaller New Zealand timber companies for supply into New Zealand domestic and export markets, predominantly China, South Korea and India. Logs supplied into Asian markets also compete with export supply from other regions, including Europe, North America and Australia.

REAL ESTATE

In our Real Estate business, we compete with other owners of entitled and unentitled properties. Each property has unique attributes, but overall quantity of supply and price for residential, commercial, industrial and rural properties in the geographic areas in which we operate are the most significant competitive drivers.

TRADING

Our log trading operations are based out of New Zealand and performed by our New Zealand subsidiary. The New Zealand market remains very competitive with over 20 entities competing for export log supply at different ports across the country. We are one of the larger log trading companies in the region with access to multiple export ports and a range of different export markets.

CUSTOMERS

In 2019, no individual customer (or group of customers under common control) represented 10% or more of 2019 consolidated sales.

SEASONALITY

Across all our segments, results are normally not impacted significantly by seasonal changes. However, significant wet weather in areas of our Southern Timber operations can hinder access for harvesting, thereby temporarily reducing supply in the affected areas and generally strengthening prices. Conversely, extended dry weather in an area tends to suppress prices as timber is more accessible for harvesting.

ENVIRONMENTAL MATTERS

See Item 1A — Risk Factors.

RESEARCH AND DEVELOPMENT

The research and development activities of our timber operations include genetic seedling improvement, growth and yield modeling, and applied silvicultural programs to identify management practices that will improve financial returns from our timberlands. We also contribute to research cooperatives that undertake forestry research and development.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

David L. Nunes, 58, Mr. Nunes joined the Company in June 2014 as Chief Operating Officer, and shortly thereafter assumed the role of President and CEO following the Company's spin-off of its Performance Fibers business. Prior to joining the Company, Mr. Nunes served as President and CEO of Pope Resources/Olympic Resource Management from 2002 to 2014. He joined Pope in 1997 as director of portfolio management. The following year, he was named Vice President of portfolio development, and then served two years as Senior Vice President of acquisitions and portfolio development before being named President and COO in 2000. Previously, Mr. Nunes spent nine years with the Weyerhaeuser Company, joining the organization in 1988 as a business analyst and advancing through a number of leadership roles to become director of corporate strategic planning. Mr. Nunes holds a Bachelors of Arts and Economics from Pomona College and an MBA from the Tepper School of Business at Carnegie Mellon University.

Mark D. McHugh, 44, Mr. McHugh was appointed Senior Vice President and Chief Financial Officer in December 2014. He was previously Managing Director in the Real Estate Investment Banking group at Raymond James, where he worked since 2008. Prior to joining Raymond James, Mr. McHugh was a Director in the Paper & Forest Products Group within the Investment Banking Division at Credit Suisse, where he worked from 2000 to 2008. Mr. McHugh received his B.S.B.A. in Finance from the University of Central Florida and his JD from Harvard Law School.

Douglas M. Long, 49, Mr. Long currently serves as Senior Vice President, Forest Resources. Previously, he served as Vice President, U.S. Operations from November 2014 to December 2015 and as Director, Atlantic Region, U.S. Forest Resources from March 2014 to November 2014. He joined the Company in 1995 as a GIS Forestry Analyst and has held multiple positions of increasing responsibility within the forestry division. Mr. Long holds bachelor's and master's degrees in Forest Resources and Conservation from the University of Florida.

Christopher T. Corr, 56, Mr. Corr joined the Company in July 2013 and currently serves as Senior Vice President, Real Estate Development and President, Raydient LLC. Prior to joining Rayonier, he served as Executive Vice President, Buildings and Places for AECOM from 2008 to 2013. Prior to that, Mr. Corr held various positions with The St. Joe Company between 1998 and 2008, most recently as Executive Vice President. From 1992 to 1998, Mr. Corr was a senior manager with The Walt Disney Company, where he was a key member of the team that developed the visionary town of Celebration near Orlando, Florida. From 1990-1992, Mr. Corr served as an elected member of the Florida House of Representatives. He holds a Bachelor of Arts degree from the University of Florida and has completed programs with the Harvard Real Estate Institute and the Wharton School of Business at University of Pennsylvania.

Mark R. Bridwell, 57, Mr. Bridwell was promoted to Vice President and General Counsel in June 2014 and assumed the role of Corporate Secretary in March 2015. He joined the Company in 2006 as Associate General Counsel for Performance Fibers. In 2009, he became Associate General Counsel for Timber and Real Estate and in 2012 was promoted to Assistant General Counsel for Land Resources. Prior to joining Rayonier, Mr. Bridwell served as counsel for six years at Siemens Corporation. Previously, he was an attorney for five years with the international law firms of Jones, Day, Reavis & Pogue and Seyfarth, Shaw, Fairweather & Geraldson. Mr. Bridwell has a B.S.B.A. in Finance from the University of Central Florida, and an MBA and JD from Emory University.

Shelby L. Pyatt, 49, Ms. Pyatt was named Vice President, Human Resources and Information Technology in July 2014. Ms. Pyatt joined Rayonier in 2003 as Manager, Compensation and became Director, Compensation and Employee Services in 2006. She was named Director, Compensation, Benefits and Employee Services in 2009 before being promoted to her current position. Prior to joining Rayonier, Ms. Pyatt held human resources positions with CSX Corporation and Barnett Bank. Ms. Pyatt holds a bachelor's degree in Business Management.

W. Rhett Rogers, 43, Mr. Rogers was appointed to Vice President, Portfolio Management in February 2017. Mr. Rogers oversees the Company's acquisition and disposition activities, including HBU and non-strategic land sales, as well as its land information systems function. He joined Rayonier in 2001 as a District Technical Forester, and has held numerous roles of increasing responsibility, most recently as Director, Land Asset Management before being promoted to his current position. Mr. Rogers holds a BS in Forestry from Louisiana Tech University, and both an MBA and MS in Forest Resources from Mississippi State University.

April J. Tice, 46, Ms. Tice was promoted to Vice President, Financial Services and Corporate Controller in March 2019. In this position, she acts as the Company's principal accounting officer. She joined Rayonier in 2010 and has worked in various roles within the finance and financial reporting departments since that time. She previously served as Director, Financial Services and Corporate Controller before being promoted to her current position. Prior to joining Rayonier, Ms. Tice served in various accounting and/or audit roles at Deloitte & Touche, the State of Florida and two private companies located in Florida. Ms. Tice holds a Bachelor of Fine Arts from Florida State University and a Master of Accountancy with a tax concentration from the University of North Florida. Ms. Tice is a Certified Public Accountant in the State of Florida.

EMPLOYEE RELATIONS

We employ 353 people, of which 260 are in the United States. We believe relations with our employees are satisfactory.

AVAILABILITY OF REPORTS AND OTHER INFORMATION

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports filed or furnished pursuant to Sections 13(a) or 14 of the Securities Exchange Act of 1934 are made available to the public free of charge in the Investor Relations section of our website, *www.rayonier.com*, shortly after we electronically file such material with, or furnish them to, the Securities and Exchange Commission ("SEC"). Our corporate governance guidelines and charters of all committees of our board of directors are also available on our website. The information on the Company's website is not incorporated by reference into this Annual Report on Form 10-K.

Item 1A. RISK FACTORS

Our operations are subject to a number of risks. When considering an investment in our securities, you should carefully read and consider these risks, together with all other information in this Annual Report on Form 10-K. If any of the events described in the following risk factors actually occur, our business, financial condition or operating results, as well as the market price of our securities, could be materially adversely affected.

We are exposed to the cyclicality of the markets in which we operate and other factors beyond our control, which could adversely affect our results of operations.

Some of the industries in which our end-use customers participate, such as the construction and home building industries, the global pulp, packaging and paper industries and the real estate industry, are cyclical in nature, exposing us to risks beyond our control, including general macroeconomic conditions, both in the U.S. and globally, as well as local economic conditions.

In our Timber segments, the level of residential construction activity, including home repair and remodeling activity, is the primary driver of sawtimber demand. In addition, demand for logs can be affected by the demand for wood chips in the pulp and paper and engineered wood products markets, as well as the bio-energy production markets. The ongoing level of activity in these markets is subject to fluctuation due to future changes in economic conditions, interest rates, credit availability, population growth, weather conditions and other factors. Changes in global economic conditions, such as new timber supply sources and changes in currency exchange rates, foreign interest rates and foreign and domestic trade policies, can also negatively impact demand for our timber and logs. In addition, the industries in which our customers participate are highly competitive and may experience overcapacity or reductions in demand, all of which may affect demand for and pricing of our products.

In our Real Estate segment, our inability to sell our HBU properties at attractive prices could have a significant effect on our results of operations. Demand for real estate can be affected by the availability of capital, changes in interest rates, availability and terms of financing, changes in governmental agencies, changes in developer confidence, actions by conservation organizations, actions by anti-development organizations, our ability to obtain land use entitlements and other permits necessary for our development activities, local real estate market economic conditions, competition from other sellers of land and real estate developers, the relative illiquidity of real estate investments, employment rates, new housing starts, population growth, demographics and federal, state and local land use, zoning and environmental protection laws or regulations (including any changes in laws or regulations). In addition, changes in investor interest in purchasing timberlands could reduce our ability to execute sales of non-strategic timberlands.

These macroeconomic and cyclical factors impacting our operations are beyond our control and, if such conditions deteriorate, could have an adverse effect on our business.

Weather and other natural conditions may limit our timber harvest and sales.

Weather conditions, changes in timber growth cycles, limitations on access (for example, due to prolonged wet conditions) and other factors, including damage by fire, insect infestation, disease, prolonged drought and natural disasters such as wind storms and hurricanes, may limit harvesting of our timberlands. The volume and value of timber that can be harvested from our timberlands may be reduced by any such occurrence and other causes beyond our control. As is typical in the forestry industry, we do not maintain insurance for any loss to our timber, including losses due to fire and these other causes. These and other factors beyond our control could reduce our timber inventory and our sustainable yield, thereby adversely affecting our financial results and cash flows.

We are subject to various risks related to the proposed merger transaction with Pope Resources.

As described elsewhere in this Annual Report on Form 10-K, the Company has entered into a definitive merger agreement (the “Merger Agreement”) with Pope Resources, A Delaware Limited Partnership (“Pope Resources”) pursuant to which the Company will acquire Pope Resources for consideration consisting of a mix of cash and equity. The risks, contingencies and other uncertainties that could result in the failure of the transactions anticipated in the Merger Agreement (the “Proposed Merger Transactions”) to be completed or, if completed, that could have a material adverse effect on the results of operations, cash flows and financial position of the Company following the Proposed Merger Transactions, and any anticipated benefits of the Proposed Merger Transactions to the Company, include:

- the failure to obtain necessary regulatory or other approvals of the Proposed Merger Transactions, which could result in a material delay in, or the abandonment of, the Proposed Merger Transactions or otherwise have a material adverse effect on Rayonier or Pope Resources, or if obtained, the possibility of Rayonier being subjected to conditions that could reduce or delay the expected cost savings and other benefits of the Proposed Merger Transactions;

- the failure to obtain necessary Pope Resources limited partnership unitholder and general partnership stockholder approvals of the Proposed Merger Transactions;

- the obligation of Rayonier to complete the Proposed Merger Transactions even if financing is not available or is available only on terms other than those currently anticipated;

- the failure to satisfy required closing conditions or complete the Proposed Merger Transactions in a timely manner or at all;

- the effect of the announcement of the Proposed Merger Transactions on each company's ability to retain and hire key personnel, maintain business relationships, and on operating results and business generally;

- the risk that the Company may not be able to maintain its investment grade rating;

- the potential impact of the Proposed Merger Transactions on the stock price of the Company, and the dividends expected to be paid to Company stockholders in the future;

- the failure to realize projected cost savings and other benefits from the Proposed Merger Transactions;

- the incurrence of significant pre- and post-transaction related costs in connection with the Proposed Merger Transactions that are, and will be, incurred regardless of whether the Proposed Merger Transactioons are completed; and

- the occurrence of any event giving rise to the right of a party to terminate the Merger Agreement.

Entitlement and development of real estate entail a lengthy, uncertain and costly approval process, which could adversely affect our ability to grow the businesses in our Real Estate segment.

Entitlement and development of real estate entail extensive approval processes involving multiple regulatory jurisdictions. It is common for a project to require multiple approvals, permits and consents from U.S. federal, state and local governing and regulatory bodies. For example, in Florida, real estate projects must generally comply with the provisions of the Community Planning Act and local land use, zoning and development regulations. In addition, development projects in Florida that exceed certain specified regulatory thresholds (and are not located in a jurisdiction classified as a dense urban land area or otherwise statutorily exempt) may require approval pursuant to the Comprehensive Plan process standards. Compliance with these and other regulations and standards is more time intensive and costly and may require additional long range infrastructure review and approvals, which can add to project cost. In addition, development of properties containing delineated wetlands may be affected by revisions to the definition of wetlands subject to state and/or federal regulation and may require one or more permits from the U.S. federal government and/or state and local governmental agencies. Any of these issues can materially affect the cost, timing and economic viability of our real estate projects.

The real estate entitlement process is frequently a political one, which involves uncertainty and often extensive negotiation and concessions in order to secure and maintain the necessary approvals and permits. In the U.S., a significant amount of our development property is located in jurisdictions in which local governments face challenging issues relating to growth and development, including zoning and future land use, public services, water availability, transportation and other infrastructure, and funding for same, and the requirements of state law, especially in the case of Florida under the Community Planning Act process standards. In addition, anti-development groups are active, especially in Florida, in filing litigation to oppose particular entitlement activities and development projects, and in seeking legislation and other anti-development limitations on real estate development activities. We expect this type of anti-development activity to continue in the future.

Entitlement and development of real estate are also subject to lengthy, uncertain and costly implementation processes. Real estate development requires adequate soil and land conditions, water resources, access and utility infrastructure, labor force, and weather conditions. Requirements for these items may vary depending upon the contemplated development of the land for residential, commercial or industrial users, and may change from time to time, including from the period of entitlement to the delivery of a developed property. Large-scale developments may involve commitments from government agencies or third parties related to the delivery of infrastructure improvements (such as roads, bridges, sidewalks, water, sewer and other utilities), the certainty and timing of which are outside of our control. An adverse change in any of these items could materially affect the cost, timing and economic viability of our real estate projects.

Changes in the laws, or interpretation or enforcement thereof, regarding the use and development of real estate, changes in the political composition of state and local governmental bodies, and the identification of new facts regarding our properties could lead to new or greater costs, delays and liabilities that could materially adversely affect our business, profitability or financial condition.

Changes in energy and fuel costs could affect our results of operations and financial condition.

Energy costs are a significant operating expense for our logging and hauling contractors and for the contractors who support the customers of our standing timber. Energy costs can be volatile and are susceptible to rapid and substantial increases or decreases due to factors beyond our control, such as changing economic conditions, changing environmental regulations, political unrest, instability in energy-producing nations, and supply and demand considerations. Increases in the price of oil could adversely affect our business, financial condition and results of operations. In addition, an increase in fuel costs, and its impact on the cost and availability of transportation for our products, both domestically and internationally, and the cost and availability of third-party logging and hauling contractors, could have a material adverse effect on the operating costs of our contractors and our standing timber customers, as well as in defining economically accessible timber stands. Such factors could in turn have a material adverse effect on our business, financial condition and results of operations, particularly in our Timber segments and Trading segment.

We depend on third parties for logging and transportation services and increases in the costs or decreases in the availability of quality service providers could adversely affect our business.

Our Timber segments depend on logging and transportation services provided by third parties, both domestically and internationally, including by railroad, trucks, or ships. If any of our transportation providers were to fail to deliver timber supply or logs to our customers in a timely manner, or were to damage timber supply or logs during transport, we may be unable to sell it at full value, or at all. During the global financial crisis and subsequent downturn in U.S. housing starts, timber harvest volumes declined significantly. As a result, many logging contractors, particularly cable logging operators in the western U.S., permanently shut down their operations. As harvest levels have returned to higher levels with the recovery in U.S. housing starts, this shortage of logging contractors has resulted in sharp increases in logging costs and more limited availability of logging contractors. It is expected that the supply of qualified logging contractors will be impacted by the availability of debt financing for equipment purchases as well as the availability of adequately trained loggers. As housing starts continue to recover, harvest levels are expected to increase, placing more pressure on the existing supply of logging contractors. Any significant failure or unavailability of third-party logging or transportation providers, or increases in transportation rates or fuel costs, may result in higher logging costs or the inability to capitalize on stronger log prices to the extent logging contractors cannot be secured at a competitive cost. Such events could harm our reputation, negatively affect our customer relationships and adversely affect our business.

We are subject to risks associated with doing business outside of the U.S.

Although the majority of our customers are in the U.S., a significant portion of our sales are to end markets outside of the U.S., including China, South Korea, Japan, India, and New Zealand. The export of our products into international markets results in risks inherent in conducting business pursuant to international laws, regulations and customs. We expect that international sales will continue to contribute to future growth. The risks associated with our business outside the U.S. include:

- changes in and reinterpretations of the laws, regulations and enforcement priorities of the countries in which our products are sold;
- responsibility to comply with anti-bribery laws such as the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions;
- trade protection laws, policies and measures and other regulatory requirements affecting trade and investment, including loss or modification of exemptions for taxes and tariffs, imposition of new tariffs and duties and import and export licensing requirements;

- continuing negative impacts from the imposition and/or threatened imposition of substantial tariffs on forest products imports into China in connection with current trade tensions between China and the U.S.;
- business disruptions arising from public health crises and outbreaks of communicable diseases, especially in China, including the recent outbreak of the virus known as the coronavirus;
- difficulty in establishing, staffing and managing non-U.S. operations;
- product damage or losses incurred during shipping;
- potentially negative consequences from changes in or interpretations of tax laws;
- economic or political instability, inflation, recessions and interest rate and exchange rate fluctuations;
- uncertainties regarding non-U.S. judicial systems, rules and procedures; and
- uncertainties regarding trade policies implemented and/or under consideration by the current U.S. presidential administration.

These risks could adversely affect our business, financial condition and results of operations.

Our estimates of timber inventories and growth rates may be inaccurate, which could impair our ability to realize expected revenues.

We rely upon estimates of merchantable timber inventories (which include judgments regarding inventories that may be lawfully and economically harvested), timber growth rates and end-product yields when acquiring and managing working forests. These estimates, which are inherently inexact and uncertain in nature, are central to forecasting our anticipated timber revenues and expected cash flows. Growth rates and end-product yield estimates are developed using statistical sampling, harvest results and growth and yield modeling, in conjunction with industry research cooperatives and by in-house forest biometricians, using measurements of trees in research plots spread across our timberland holdings. The growth equations predict the rate of height and diameter growth of trees so that foresters can estimate the volume of timber that may be present in a tree stand at a given age. Tree growth varies by species, soil type, geographic area, and climate. Errors in or inappropriate application of growth equations in forest management planning may lead to inaccurate estimates of future volumes. If the assumptions we rely upon change or these estimates are inaccurate, our ability to manage our timberlands in a sustainable or profitable manner may be diminished, which may cause our results of operations and our stock price to be adversely affected.

Our businesses are subject to extensive environmental laws and regulations that may restrict or adversely affect our ability to conduct our business.

Environmental laws and regulations are constantly changing and are generally becoming more restrictive. Laws, regulations and related judicial decisions and administrative interpretations affecting our business are subject to change, and new laws and regulations are frequently enacted. These changes may adversely affect our ability to harvest and sell timber, remediate contaminated properties and/or entitle real estate. These laws and regulations may relate to, among other things, the protection of timberlands and endangered species, recreation and aesthetics, protection and restoration of natural resources, surface water quality, timber harvesting practices, and remedial standards for contaminated property and groundwater. Over time, the complexity and stringency of these laws and regulations have increased and the enforcement of these laws and regulations has intensified. For example, the U.S. Environmental Protection Agency ("EPA") has pursued a number of initiatives that, if implemented, could impose additional operational and pollution control obligations on industrial facilities like those of Rayonier's customers, especially in the area of air emissions and wastewater and stormwater control. In addition, as a result of certain judicial rulings and state and federal initiatives, including some that would require timberland operators to obtain permits to conduct certain ordinary course forestry activities, silvicultural practices on our timberlands could be impacted in the future. Environmental laws and regulations will likely continue to become more restrictive and over time could adversely affect our business, financial condition and results of operations.

If regulatory and environmental permits are delayed, restricted or rejected, a variety of our operations could be adversely affected. We are required to seek permission from government agencies in the states and countries in which we operate to perform certain activities related to our properties. Any of these agencies could delay review of, or reject, any of our filings. In our Southern Timber, Pacific Northwest Timber and New Zealand Timber segments, any delay associated with a filing could result in a delay or restriction in replanting, thinning, insect control, fire control or harvesting, any of which could have an adverse effect on our operating results. For example, in Washington State, we are required to file a Forest Practice Application for each unit of timberland to be harvested. These applications may be denied, conditioned or restricted by the regulatory agency. Actions by the regulatory agencies could delay or restrict timber harvest activities pursuant to these permits. Delays or harvest restrictions on a significant number of applications could have an adverse effect on our operating results.

Environmental groups and interested individuals may seek to delay or prevent a variety of operations. We expect that environmental groups and interested individuals will intervene with increasing frequency in the regulatory processes in the states and countries where we own, lease or manage timberlands. For example, in Washington State, environmental groups and interested individuals may appeal individual forest practice applications or file petitions with the Forest Practices Board to challenge the regulations under which forest practices are approved. These and other challenges could materially delay or prevent operations on our properties. For example, interveners at times may bring legal action in Florida in opposition to entitlement and change of use of timberlands to commercial, industrial or residential use. Delays or restrictions due to the intervention of environmental groups or interested individuals could adversely affect our operating results. In addition to intervention in regulatory proceedings, interested groups and individuals may file or threaten to file lawsuits that seek to prevent us from obtaining permits, implementing capital improvements or pursuing operating plans. Any threatened or actual lawsuit could delay harvesting on our timberlands, affect how we operate or limit our ability to modify or invest in our real estate. Among the remedies that could be enforced in a lawsuit is a judgment preventing or restricting harvesting on a portion of our timberlands.

Third-party operators may create environmental liabilities. We lease and/or grant easements across some of our properties to third-party operators for the purpose of operating communications towers, generating renewable energy (wind and solar), operating pipelines for the transport of gases and liquids, and exploring, extracting, developing and producing oil, gas, rock and other minerals. These activities are subject to federal, state and local laws and regulations. These operations may also create risk of environmental liabilities for an unlawful discharge of oil, gas, chemicals or other materials into the air, soil or water. Generally, these third-party operators indemnify us against any such liability, and we require that they maintain liability insurance to the extent practical to do so. However, if for any reason our third-party operators are not able to honor their obligations to us, or if insurance is not in effect, then it is possible that we could be responsible for costs associated with environmental liabilities caused by such third-party operators.

The impact of existing regulatory restrictions on future harvesting activities may be significant. U.S. federal, state and local laws and regulations, as well as those of other countries, which are intended to protect threatened and endangered species, as well as waterways and wetlands, limit and may prevent timber harvesting, road building and other activities on our timberlands. Restrictions relating to threatened and endangered species apply to activities that would adversely impact a protected species or significantly degrade its habitat. The size of the restricted area varies depending on the protected species, the time of year and other factors, but can range from less than one acre to several thousand acres. A number of species that naturally live on or near our timberlands, including, among others, the northern spotted owl, marbled murrelet, several species of salmon and trout in the Pacific Northwest, and the red cockaded woodpecker, red hills salamander, Louisiana pine snake and eastern indigo snake in the Southeast, are protected under the Federal Endangered Species Act (the “ESA”) or similar U.S. federal and state laws. A significant number of other species, such as the southeastern gopher tortoise are currently under review for possible protection under the ESA. As we gain additional information regarding the presence of threatened or endangered species on our timberlands, or if other regulations, such as those that require buffers to protect water bodies, become more restrictive, the amount of our timberlands subject to harvest restrictions could increase.

We formerly owned or operated or may own or acquire timberlands or properties that may require environmental remediation or otherwise be subject to environmental and other liabilities. We owned or operated manufacturing facilities and discontinued operations that we do not currently own, and we may currently own or may acquire timberlands and other properties in the future that are subject to environmental liabilities, such as remediation of soil, sediment and groundwater contamination and other existing or potential liabilities. In connection with the spin-off of our Performance Fibers business, and pursuant to the related Separation and Distribution Agreement between us and Rayonier Advanced Materials, Rayonier Advanced Materials has assumed any environmental liability of ours in connection with the manufacturing facilities and discontinued operations related to the Performance Fibers business and has agreed to indemnify and hold us harmless in connection with such environmental liabilities. However, in the event we seek indemnification from Rayonier Advanced Materials, we cannot provide any assurance that a court will enforce our indemnification right if challenged by Rayonier Advanced Materials or that Rayonier Advanced Materials will be able to fund any amounts for indemnification owed to us. In addition, the cost of investigation and remediation of contaminated timberlands and properties that we currently own or acquire in the future could increase operating costs and adversely affect financial results. We could also incur substantial costs, such as civil or criminal fines, sanctions and enforcement actions (including orders limiting our operations or requiring corrective measures, installation of pollution control equipment or other remedial actions), clean-up and closure costs, and third-party claims for property damage and personal injury as a result of violations of, or liabilities under, environmental laws and regulations related to such timberlands or properties.

The industries in which we operate are highly competitive.

The markets in which we operate are highly competitive, and we compete with companies that have substantially greater financial resources than we do in each of these businesses. The competitive pressures relating to our Timber segments are primarily driven by quantity of product supply and quality of the timber offered by competitors in the domestic and export markets, each of which may impact pricing. With respect to our Real Estate segment, we compete with other owners of entitled and unentitled properties. Each property has unique attributes, but overall quantity of supply and price for residential, commercial, industrial and rural properties in the geographic areas in which we operate are the most significant competitive drivers. The markets in which our Trading segment operates are very competitive with numerous entities competing for export log supply at different ports across New Zealand.

Our strategy will be adversely affected if we are unable to make future acquisitions.

We have pursued, and intend to continue to pursue, acquisitions of timberland and real estate properties that meet our investment criteria and achieve our strategic goals of growing the size and average quality of our land base. The ability to grow through acquisitions or other investments depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions or joint venture arrangements. In addition, the discount rate we use in our acquisition underwriting has to meet our internal hurdle rate while also being competitive with that of other timberland investors. In particular, our future success and growth depend upon our ability to make acquisitions that increase merchantable timber inventory and complement the existing age-class structure of our ownership. If we are unable to make acquisitions on acceptable terms or that do not support our strategic goals, our revenues and cash flows may stagnate or decline.

Our inability to access the capital markets could adversely affect our business strategy and competitive position.

Due to the REIT income distribution requirements, we rely significantly on external sources of capital to finance growth and acquisitions. Both our ability to obtain financing and the related cost of capital are affected by a number of factors, many of which are outside of our control, including a decline in general market conditions, decreased market liquidity, a downgrade to our public debt rating, increases in interest rates, an unfavorable market perception of our growth potential, a decrease in our current or estimated future earnings or a decrease in the market price of our common stock. If capital is not available when needed, or is available only on unfavorable terms relative to other timberland REITs or TIMOs, or not at all, we may be unable to complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures. As of December 31, 2019, our credit ratings from S&P and Moody's Investors Service (Moody's) were BBB- and Baa3, respectively. Any combination of the factors described above, including our failure to maintain our investment grade credit rating, could prevent us from obtaining the capital we require on terms that are acceptable to us, or at all, which could adversely affect our business, liquidity and competitive position.

We are subject to risks associated with an increase in market interest rates.

One of the factors that may influence the price of our common shares is our annual dividend yield as compared to yields on other financial instruments. Thus, an increase in market interest rates could result in higher yields on other financial instruments and could adversely affect the relative attractiveness of an investment in the Company and, accordingly, the trading price of our common shares. An increase in market interest rates could cause increases in discount rates and, accordingly, a decline in property values and total returns for timberland assets. An increase in market interest rates would also negatively impact financing costs on our floating rate debt as well as any additional debt we may raise.

We are subject to risks associated with the discontinuation of LIBOR.

The U.K. Financial Conduct Authority announced in 2017 that it intends to phase out the London Interbank Offered Rate ("LIBOR") by the end of 2021. Changes in the method of calculating LIBOR, or the replacement of LIBOR with an alternative rate or benchmark, may adversely affect interest rates and could result in higher borrowing costs. In addition, if changes are made to the method of calculating LIBOR or LIBOR ceases to exist, we may need to amend certain contracts, including our credit facility and swap arrangements, and we cannot predict what alternative rate or benchmark would be negotiated. This may also result in an increase in our interest rate expense.

The impacts of climate-related initiatives, at the international, U.S. federal and state levels, remain uncertain at this time.

There continue to be numerous international, U.S. federal and state-level initiatives and proposals to address domestic and global climate issues. Within the U.S., most of these proposals would regulate and/or tax the production of carbon dioxide and other “greenhouse gases” to facilitate the reduction of carbon compound emissions into the atmosphere, and provide tax and other incentives to produce and use “cleaner” energy.

In late 2009, the EPA issued an “endangerment finding” under the Clean Air Act with respect to certain greenhouse gases, leading to the regulation of carbon dioxide as a pollutant under the Clean Air Act and having significant ramifications for Rayonier and the industry in general. In this regard, the EPA has published various regulations, affecting the operation of existing and new industrial facilities that emit carbon dioxide. As a result of the EPA’s decision to regulate greenhouse gases under the Clean Air Act, states will now have to consider them in permitting new or modified facilities.

Overall, it is reasonably likely that legislative and regulatory activity in this area will in some way affect Rayonier and the U.S. customers of our Southern Timber and Pacific Northwest Timber segments, but it is unclear at this time what the nature of the impact will be. We continue to monitor political and regulatory developments in this area, but their overall impact on Rayonier, from a cost, benefit and financial performance standpoint, remains uncertain at this time. In addition, the EPA has yet to finalize the treatment of biomass under greenhouse gas regulatory schemes, leaving Rayonier’s biomass customers in a position of uncertainty.

REIT AND TAX-RELATED RISKS

Loss of our REIT status would adversely affect our cash flow and stock price.

We intend to continue to operate in accordance with REIT requirements pursuant to the Internal Revenue Code of 1986, as amended (the “Code”), and related U.S. Treasury regulations and administrative guidance. Qualification as a REIT involves the application of highly technical and complex provisions of the Code, which are subject to change, perhaps retroactively, and which are not within our control. We cannot assure that we will remain qualified as a REIT or that new legislation, U.S. Treasury regulations, administrative interpretations or court decisions will not significantly affect our ability to remain qualified as a REIT or the U.S. federal income tax consequences of such qualification.

We continually monitor and test our compliance with all REIT requirements. In particular, we regularly test our compliance with the REIT “asset tests,” which require generally that, at the close of each calendar quarter: (1) at least 75% of the market value of our total assets must consist of REIT-qualifying interests in real property (such as timberlands), including leaseholds and options to acquire real property and leaseholds, as well as cash and cash items and certain other specified assets, (2) no more than 25% of the market value of our total assets may consist of other assets that are not qualifying assets for purposes of the 75% test in clause (1) above, and (3) no more than 20% (25% for calendar years prior to 2018) of the market value of our total assets may consist of the securities of one or more “taxable REIT subsidiaries.” As of December 31, 2019, Rayonier is in compliance with these asset tests.

If in any taxable year we fail to qualify as a REIT and are not entitled to relief under the Code, we will not be allowed a deduction for dividends paid to shareholders in computing our taxable income and we will be subject to U.S. federal income tax on our REIT taxable income. In addition, we will be disqualified from qualification as a REIT for the four taxable years following the year during which the qualification was lost, unless we are entitled to relief under certain provisions of the Code. As a result, our net income and the cash available for distribution to our shareholders could be reduced for up to five years or longer, which could have a material adverse effect on our financial condition.

If we fail to remain qualified as a REIT, we may also need to borrow funds or liquidate some investments or assets to pay any resulting additional tax liability. Accordingly, cash available for distribution to our shareholders would be reduced.

Certain of our business activities are potentially subject to prohibited transactions tax.

As a REIT, we will be subject to a 100% tax on any net income from "prohibited transactions." In general, prohibited transactions are sales or other dispositions of property to customers in the ordinary course of business. Sales of logs, and dealer sales of timberlands or other real estate, constitute prohibited transactions unless the sale satisfies certain safe harbor provisions in the Code.

We intend to avoid the 100% prohibited transactions tax by complying with the prohibited transaction safe harbor provisions and conducting activities that would otherwise be prohibited transactions through one or more taxable REIT subsidiaries. We may not, however, always be able to identify timberland properties that become part of our "dealer" real estate sales business. Therefore, if we sell timberlands which we incorrectly identify as property not held for sale to customers in the ordinary course of business, we may be subject to the 100% prohibited transactions tax.

Our cash dividends are not guaranteed and may fluctuate.

Generally, REITs are required to distribute 90% of their ordinary taxable income, but not their net capital gains income. Accordingly, we do not generally believe that we are required to distribute material amounts of cash since substantially all of our taxable income is generally treated as capital gains income. However, a REIT must pay corporate level tax on its undistributed taxable income and capital gains.

Our Board of Directors, in its sole discretion, determines the amount of quarterly dividends to be paid to our shareholders based on consideration of a number of factors. These factors include, but are not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including debt covenant restrictions that may impose limitations on cash payments, future acquisitions and divestitures, harvest levels, changes in the price and demand for our products and general market demand for timberlands, including those timberland properties that have higher and better uses. Consequently, our dividend levels may fluctuate.

Lack of shareholder ownership and transfer restrictions in our articles of incorporation may affect our ability to qualify as a REIT.

In order to qualify as a REIT, an entity cannot have five or fewer individuals who own, directly or indirectly after applying attribution of ownership rules, 50% or more of the value of its outstanding shares during the last six months in each calendar year. Although it is not required by law or the REIT provisions of the Code, almost all REITs have adopted ownership and transfer restrictions in their articles of incorporation or organizational documents which seek to assure compliance with that rule. While we are not in violation of the ownership rules, we do not have, nor do we have any current plans to adopt, share ownership and transfer restrictions. As such, the possibility exists that five or fewer individuals could acquire 50% or more of the value of our outstanding shares, which could result in our disqualification as a REIT.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The following table provides a breakdown of our timberland holdings as of September 30, 2019 and December 31, 2019:

(acres in 000s)	As of September 30, 2019			As of December 31, 2019		
	Owned	Leased	Total	Owned	Leased	Total
Southern						
Alabama	228	14	242	226	14	240
Arkansas	—	9	9	—	7	7
Florida	308	73	381	331	63	394
Georgia	631	79	710	628	77	705
Louisiana	128	—	128	128	—	128
Mississippi	67	—	67	67	—	67
Oklahoma	92	—	92	92	—	92
South Carolina	18	—	18	18	—	18
Texas	178	—	178	184	—	184
	1,650	175	1,825	1,674	161	1,835
Pacific Northwest						
Oregon	61	—	61	61	—	61
Washington	317	1	318	318	—	318
	378	1	379	379	—	379
New Zealand (a)	185	229	414	185	229	414
Total	2,213	405	2,618	2,238	390	2,628

(a) Represents legal acres owned and leased by the New Zealand subsidiary, in which Rayonier owns a 77% interest. As of December 31, 2019, legal acres in New Zealand were comprised of 295,000 plantable acres and 119,000 non-productive acres.

The following tables detail changes in our portfolio of owned and leased timberlands by state from December 31, 2018 to December 31, 2019:

(acres in 000s)	Acres Owned				
	December 31, 2018	Acquisitions	Sales	Other (a)	December 31, 2019
Southern					
Alabama	229	—	(3)	—	226
Florida	290	43	(2)	—	331
Georgia	622	10	(4)	—	628
Louisiana	129	—	(1)	—	128
Mississippi	67	—	—	—	67
Oklahoma	92	—	—	—	92
South Carolina	18	—	—	—	18
Texas	182	7	(5)	—	184
	1,629	60	(15)	—	1,674
Pacific Northwest					
Oregon	61	—	—	—	61
Washington	316	2	(1)	1	318
	377	2	(1)	1	379
New Zealand (b)	178	7	—	—	185
Total	2,184	69	(16)	1	2,238

(a) Includes adjustments for land mapping reviews.
(b) Represents legal acres owned by the New Zealand subsidiary, in which Rayonier has a 77% interest.

(acres in 000s)	Acres Leased				
	December 31, 2018	New Leases	Sold/Expired Leases (a)	Other (b)	December 31, 2019
Southern					
Alabama	14	—	—	—	14
Arkansas	9	—	(1)	(1)	7
Florida	73	—	(10)	—	63
Georgia	81	—	(4)	—	77
	177	—	(15)	(1)	161
Pacific Northwest					
Washington	1	—	—	(1)	—
New Zealand (c)	230	2	(3)	—	229
Total	408	2	(18)	(2)	390

(a) Includes acres previously under lease that have been harvested and activity for the relinquishment of leased acres.
(b) Includes adjustments for land mapping reviews.
(c) Represents legal acres leased by the New Zealand subsidiary, in which Rayonier has a 77% interest.

TIMBERLAND LEASES & DEEDS

See Note 4 - Leases for more information on U.S. and New Zealand timberland leases including lease terms and renewal provisions.

The following table details the Company's acres under lease as of December 31, 2019 by type of lease and estimated lease expiration:

(acres in 000s)			Lease Expiration			
Location	Type of Lease	Total	2020-2029	2030-2039	2040-2049	Thereafter
Southern	Fixed Term	145	96	43	—	6
	Fixed Term with Renewal Option (a)	16	8	8	—	—
New Zealand.......	CFL - Perpetual (b)	77	—	—	—	77
	CFL - Fixed Term (b)	3	—	—	—	3
	CFL - Terminating (b)	9	1	—	8	—
	Forestry Right (b)	124	16	25	12	71
	Fixed Term Land Leases	16	—	1	1	14
Total Acres under Long-term Leases		390	121	77	21	171

(a) Includes approximately 7,000 acres of timber deeds.
(b) Estimated lease expiration / termination based on the earlier of: (1) the scheduled expiration / termination date, or (2) the estimated year of final harvest before such expiration / termination date.

The following table details the Company's estimated leased acres, lease expirations and lease costs over the next five years:

(acres and dollars in 000s, except per acre amounts)						
Location		2020	2021	2022	2023	2024
Southern						
	Leased Acres Expiring (a)	7	6	10	36	2
	Year-end Leased Acres (a)	154	148	138	102	100
	Estimated Annual Lease Cost (a)(b)	$4,552	$4,491	$4,196	$3,970	$3,337
	Average Lease Cost per Acre (a)	$30.21	$30.26	$30.80	$32.22	$35.45
New Zealand						
	Leased Acres Expiring	2	—	—	—	—
	Year-end Leased Acres	227	227	227	227	227
	Estimated Annual Lease Cost (b)(d)	$3,988	$3,988	$3,932	$3,932	$3,932
	Average Lease Cost per Acre (c)(d)	$21.71	$21.71	$21.64	$21.64	$21.64

(a) Includes timber deeds.
(b) Represents capitalized and expensed lease payments.
(c) Excludes lump sum payments.
(d) Based on the year-end foreign exchange rate.

OTHER NON-TIMBERLAND LEASES

See Note 4 - Leases for information on other non-timberland leases.

Item 3. LEGAL PROCEEDINGS

The information set forth under Note 11 — Contingencies is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET FOR THE REGISTRANT'S COMMON EQUITY

The Company's common shares are publicly traded on the NYSE, the only exchange on which our shares are listed, under the trading symbol **RYN**. Shares of the Company have no par value.

TAX CHARACTERISTICS OF DIVIDENDS

The table below summarizes the tax characteristics of the dividend paid to shareholders on a percentage basis for the three years ended December 31, 2019:

	2019	2018	2017
Total cash dividend per common share	$1.08	$1.06	$1.00
Tax characteristics:			
Capital gain	100%	100%	100%

HOLDERS

There were approximately 5,351 shareholders of record of our common shares on February 14, 2020.

ISSUER REPURCHASES

In February 2016, the Board of Directors approved the repurchase of up to $100 million of Rayonier's common shares (the "share repurchase program") to be made at management's and the Board of Directors' discretion. The program has no time limit and may be suspended or discontinued at any time. There were no shares repurchased under this program in the fourth quarter of 2019. Based on the period-end closing stock price of $32.76 at December 31, 2019, there was $90.9 million, or approximately 2,774,133 shares, remaining under this program.

The following table provides information regarding our purchases of Rayonier common shares during the quarter ended December 31, 2019:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (c)
October 1 to October 31	—	—	—	7,245,832
November 1 to November 30	29	$30.95	—	6,844,434
December 1 to December 31	—	—	—	6,651,522
Total	29		—	

(a) Includes 29 shares of the Company's common shares purchased in November from employees in non-open market transactions. The shares were sold by employees of the Company in exchange for cash that was used to pay withholding taxes associated with the vesting of share-based awards under the Company's Incentive Stock Plan. The price per share surrendered is based on the closing price of the Company's common shares on the respective vesting dates of the awards.

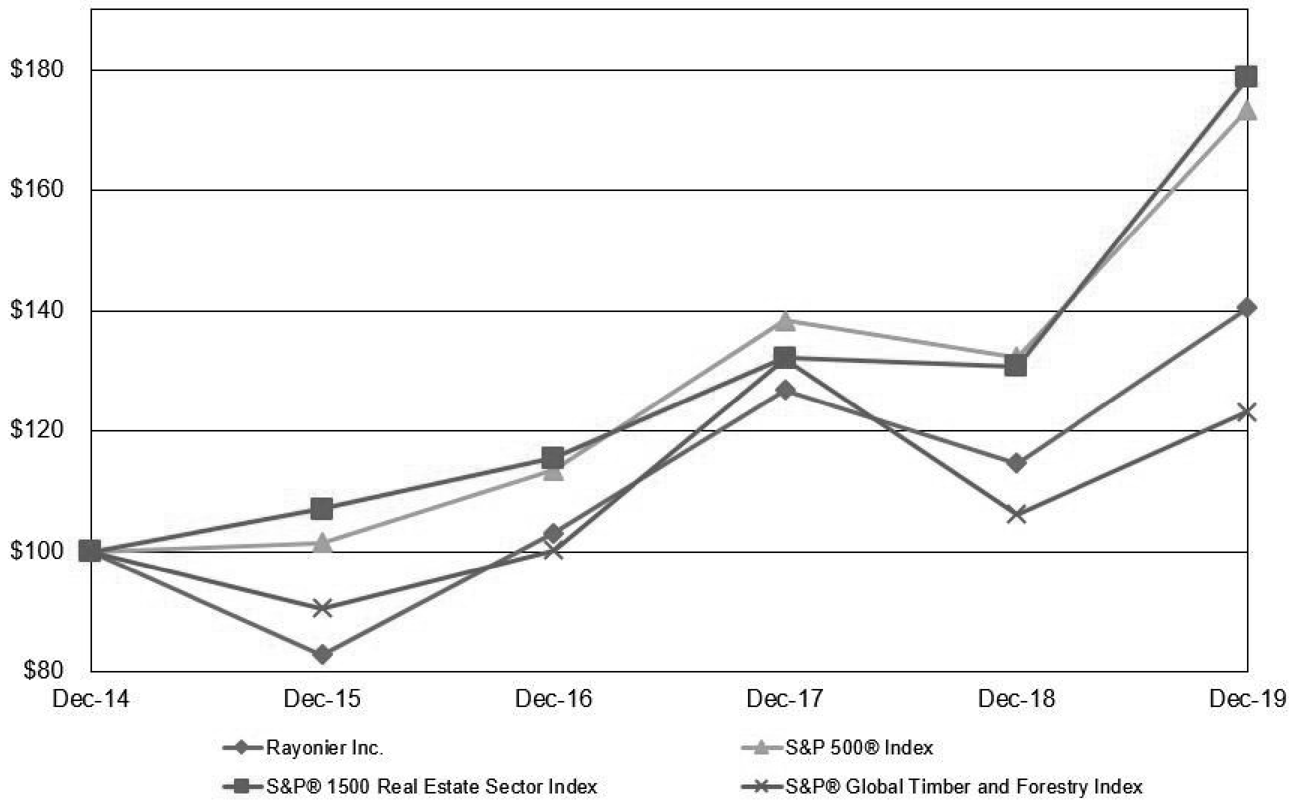
(b) Purchases made in open-market transactions under the $100 million share repurchase program announced on February 10, 2016.

(c) Maximum number of shares authorized to be purchased as of December 31, 2019 includes 3,877,389 under the anti-dilutive program and approximately 2,774,133 under the share repurchase program. Maximum number of shares authorized to be purchased at the end of October, November and December are based on month-end closing stock prices of $26.98, $30.63 and $32.76, respectively.

STOCK PERFORMANCE GRAPH

The following graph compares the performance of Rayonier's common shares (assuming reinvestment of dividends) with a broad-based market index (Standard & Poor's ("S&P") 500), and two industry-specific indices (the S&P Global Timber and Forestry Index and the S&P 1500 Real Estate Index).[1]

The table and related information below shall not be deemed to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.



The data in the following table was used to create the above graph as of December 31:

	2014	2015	2016	2017	2018	2019
Rayonier Inc.	$100	$83	$103	$127	$115	$140
S&P 500® Index	100	101	114	138	132	173
S&P® Global Timber and Forestry Index	100	91	100	132	106	123
S&P® 1500 Real Estate Sector Index[1]	100	107	115	132	131	179

[1] Based on constituents as of December 31, 2019 and excludes entities that were not publicly traded for the entire comparative period.

Item 6. SELECTED FINANCIAL DATA

The following financial data should be read in conjunction with our Consolidated Financial Statements.

	At or For the Years Ended December 31,				
	2019	2018	2017	2016	2015
	(dollar amounts in millions, except per share data)				
Profitability:					
Sales (a)	$711.6	$816.1	$819.6	$815.9	$568.8
Operating income (b)	107.0	170.1	215.5	255.8	77.8
Income from continuing operations attributable to Rayonier Inc. (b)	59.1	102.2	148.8	212.0	46.2
Diluted earnings per common share from continuing operations	0.46	0.79	1.16	1.73	0.37
Financial Condition:					
Total assets	$2,861.0	$2,780.7	$2,858.5	$2,685.8	$2,315.9
Total debt	1,055.1	972.6	1,025.4	1,061.9	830.6
Shareholders' equity	1,537.6	1,654.6	1,693.0	1,496.9	1,361.7
Shareholders' equity — per share	11.89	12.78	13.13	12.18	11.09
Cash Flows:					
Cash provided by operating activities	$214.3	$310.1	$256.3	$203.8	$177.2
Cash used for investing activities	219.4	132.9	235.3	235.0	149.5
Cash used for (provided by) for financing activities	79.6	193.7	6.9	(114.4)	116.5
Depreciation, depletion and amortization	128.2	144.1	127.6	115.1	113.7
Cash dividends paid	141.1	136.8	127.1	122.8	124.9
Dividends paid — per share	$1.08	$1.06	$1.00	$1.00	$1.00
Non-GAAP Financial Measures:					
Adjusted EBITDA (c)					
Southern Timber	$119.7	$102.8	$91.6	$92.9	$101.0
Pacific Northwest Timber	16.7	40.9	33.1	21.2	21.7
New Zealand Timber	75.8	90.8	85.1	56.5	27.1
Real Estate	59.5	123.4	95.5	86.6	76.7
Trading	—	1.0	4.6	2.0	1.2
Corporate and other	(23.9)	(21.1)	(19.4)	(19.4)	(19.6)
Total Adjusted EBITDA (c)	$247.8	$337.7	$290.5	$239.7	$208.1
Other:					
Timberland and real estate acres — owned, leased, or managed, in millions of acres	2.6	2.6	2.6	2.7	2.7

	For the Years Ended December 31,				
	2019	2018	2017	2016	2015
Selected Operating Data:					
Timber					
Sales volume (thousands of tons)					
Southern	6,066	5,718	5,314	5,317	5,492
Pacific Northwest	1,211	1,305	1,247	1,195	1,243
New Zealand Domestic	1,293	1,371	1,300	1,204	1,346
New Zealand Export	1,438	1,304	1,239	1,017	1,065
Total Sales Volume	10,008	9,698	9,100	8,733	9,146
Real Estate — acres sold					
Improved Development	44	44	23	47	74
Unimproved Development	1,196	751	1,449	206	699
Rural	7,656	5,008	6,344	6,684	8,754
Timberlands & Non-Strategic	8,254	27,811	25,653	28,751	29,737
Large Dispositions (d)	—	—	49,599	92,434	—
Total Acres Sold	17,151	33,614	83,068	128,121	39,264

(a) The 2017 and 2016 results included sales of $95.4 million and $207.3 million, respectively, related to Large Dispositions.

(b) The 2017 and 2016 results included a gain of $67.0 million and $143.9 million, respectively, related to Large Dispositions.

(c) Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land and improved development, non-operating income and expense, costs related to shareholder litigation, the gain on foreign currency derivatives and Large Dispositions. Adjusted EBITDA is a non-GAAP measure that management uses to make strategic decisions about the business and that investors can use to evaluate the operational performance of the assets under management. It removes the impact of specific items that management believes do not directly reflect the core business operations on an ongoing basis. A reconciliation of Adjusted EBITDA to Operating Income (Loss) and Net Income, respectively, is included in the following pages and Item 7 — Performance and Liquidity Indicators.

(d) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have a demonstrable premium relative to timberland value. Sales designated as Large Dispositions are excluded from our calculation of Adjusted EBITDA and CAD.

Reconciliation of Operating Income (Loss) by Segment to Adjusted EBITDA by Segment (dollars in millions)

	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and other	Total
2019							
Operating income (loss)	$57.8	($12.4)	$48.0	$38.7	—	($25.1)	$107.0
Add: Depreciation, depletion and amortization	61.9	29.2	27.8	8.2	—	1.2	128.2
Add: Non-cash cost of land and improved development	—	—	—	12.6	—	—	12.6
Adjusted EBITDA	$119.7	$16.7	$75.8	$59.5	—	($23.9)	$247.8
2018							
Operating income	$44.2	$8.1	$62.8	$76.2	$1.0	($22.3)	$170.1
Add: Depreciation, depletion and amortization	58.6	32.8	28.0	23.6	—	1.2	144.1
Add: Non-cash cost of land and improved development	—	—	—	23.6	—	—	23.6
Adjusted EBITDA	$102.8	$40.9	$90.8	$123.4	$1.0	($21.1)	$337.7
2017							
Operating income	$42.2	$1.1	$57.6	$130.9	$4.6	($20.9)	$215.5
Add: Depreciation, depletion and amortization	49.4	32.0	27.5	17.9	—	0.8	127.6
Add: Non-cash cost of land and improved development	—	—	—	13.7	—	—	13.7
Add: Costs related to shareholder litigation (a)	—	—	—	—	—	0.7	0.7
Less: Large Dispositions	—	—	—	(67.0)	—	—	(67.0)
Adjusted EBITDA	$91.6	$33.1	$85.1	$95.5	$4.6	($19.4)	$290.5
2016							
Operating income (loss)	$43.1	($4.0)	$33.0	$202.4	$2.0	($20.8)	$255.8
Add: Depreciation, depletion and amortization	49.8	25.2	23.4	16.3	—	0.4	115.1
Add: Non-cash cost of land and improved development	—	—	—	11.7	—	—	11.7
Add: Costs related to shareholder litigation (a)	—	—	—	—	—	2.2	2.2
Less: Gain on foreign currency derivatives (b)	—	—	—	—	—	(1.2)	(1.2)
Less: Large Dispositions	—	—	—	(143.9)	—	—	(143.9)
Adjusted EBITDA	$92.9	$21.2	$56.5	$86.6	$2.0	($19.4)	$239.7
2015							
Operating income	$46.7	$6.9	$1.6	$45.5	$1.2	($24.1)	$77.8
Add: Depreciation, depletion and amortization	54.3	14.8	25.5	18.7	—	0.4	113.7
Add: Non-cash cost of land and improved development	—	—	—	12.5	—	—	12.5
Add: Costs related to shareholder litigation (a)	—	—	—	—	—	4.1	4.1
Adjusted EBITDA	$101.0	$21.7	$27.1	$76.7	$1.2	($19.6)	$208.1

(a) Costs related to shareholder litigation include expenses incurred as a result of the shareholder derivative demands. In addition, these costs include the costs associated with class action securities litigation brought against the Company in a case styled In re Rayonier Inc. Securities Litigation, filed in the United States District Court for the Middle District of Florida (Case No. 3:14-cv01395-RJC-JBT) and the Company's response to a subpoena it received from the SEC in November 2014. In July 2016, the Division of Enforcement of the SEC notified the Company that it had concluded its investigation into the Company. In October 2017, the court entered orders approving the settlement of the class action securities litigation and dismissing the case against all defendants with prejudice.

(b) The Company used foreign exchange derivatives to mitigate the risk of fluctuations in foreign exchange rates while awaiting the planned capital contribution to the New Zealand subsidiary.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE SUMMARY

OUR COMPANY

We are a leading timberland real estate investment trust ("REIT") with assets located in some of the most productive softwood timber growing regions in the U.S. and New Zealand. Our revenues, operating income and cash flows are primarily derived from the following core business segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Real Estate and Trading. We own or lease under long-term agreements approximately 2.2 million acres of timberland and real estate in Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Oklahoma, Oregon, South Carolina, Texas and Washington. We also have a 77% ownership interest in Matariki Forestry Group, a joint venture ("New Zealand subsidiary"), that owns or leases approximately 414,000 gross acres (295,000 net plantable acres) of timberlands in New Zealand.

Across our timberland management segments, we sell standing timber (primarily at auction to third parties) and delivered logs. Sales from our timber segments include all activities related to the harvesting of timber and other value-added activities such as the licensing of properties for hunting and the leasing of properties for mineral extraction and cell towers. We believe we are the second largest publicly-traded timberland REIT and the fifth largest private timberland owner in the United States. Our Real Estate business manages all property sales and seeks to maximize the value of our properties that are more valuable for development, recreational or residential uses than for growing timber, and opportunistically sells non-strategic timberlands. Our Trading segment, also part of the New Zealand subsidiary, markets and sells timber owned or acquired from third parties in New Zealand and Australia.

CURRENT YEAR DEVELOPMENTS

During 2019, we acquired approximately 71,000 acres of timberlands for $142.3 million. For additional information on acquisitions, see Note 3 — Timberland Acquisitions.

INDUSTRY AND MARKET CONDITIONS

The demand for timber is directly related to the underlying demand for pulp, paper, packaging, lumber and other wood products. The significant majority of timber sold in our Southern Timber segment is consumed domestically. With a higher proportion of pulpwood, our Southern Timber segment relies heavily on downstream markets for pulp and paper, and to a lesser extent wood pellet markets. Our Pacific Northwest Timber segment relies primarily on domestic customers but also exports a significant volume of timber, particularly to China. Both the Southern and Pacific Northwest Timber segments rely on the strength of U.S. lumber markets as well as underlying housing starts. Our New Zealand Timber segment sells timber to domestic New Zealand wood products mills and also exports a significant portion of its volume to markets in China, South Korea and India. In addition to market dynamics in the Pacific Rim, the New Zealand Timber segment is subject to foreign exchange fluctuations, which can impact the operating results of the segment in U.S. dollar terms.

In 2019, pricing in the U.S. South remained relatively flat versus the prior year, with a slight increase in pulpwood prices offset by a slight decrease in sawtimber prices. Both pulpwood and sawtimber pricing tend to be driven by local market supply and demand dynamics, which vary considerably based on the available inventory of logs, local market mill demand, and access to export markets. U.S. South exports declined significantly in 2019 versus 2018, due to the implementation of tariffs on log exports to China in the third quarter of 2018, which limited overall price momentum. In the Pacific Northwest, log prices were relatively flat throughout 2019, but considerably lower than 2018 average prices. Prices declined in 2019 due to the implementation of tariffs on log exports to China in the third quarter of 2018, which led to a significant decline in export demand. In New Zealand, export prices to China deteriorated during 2019 as salvage logs from Europe flooded the market. Towards the end of 2019, domestic prices also declined in response to the lower export prices.

In Real Estate, overall demand and pricing for HBU properties remained relatively strong in 2019. In addition, we saw increased interest in our improved development properties, specifically Wildlight, our development project north of Jacksonville, Florida, and Richmond Hill, our development project south of Savannah, Georgia.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The preparation of financial statements requires us to establish accounting policies and make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses, and to disclose contingent assets and liabilities in our Annual Report on Form 10-K. We base these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information we believe are reasonable. Actual results may differ from these estimates.

CAPITALIZED COSTS INCLUDED IN TIMBER BASIS

Timber is stated at the lower of cost or market value. Costs relating to acquiring, planting and growing timber, including real estate taxes, site preparation and direct support costs relating to facilities, vehicles and supplies, are capitalized. A portion of timberland lease payments are capitalized based on the proportion of acres with merchantable timber volume remaining to be harvested under the lease term and the residual portion of the lease payments are expensed as incurred. Payroll costs are capitalized for time spent on timber growing activities, while interest or any other intangible costs are not capitalized.

MERCHANTABLE INVENTORY AND DEPLETION COSTS AS DETERMINED BY TIMBER HARVEST MODELS

An annual depletion rate is established for each particular region by dividing the cost of merchantable inventory (including costs described above) by standing merchantable inventory volume. Pre-merchantable records are maintained for each planted year age class, including acres planted, stems per acre and costs of planting and tending.

Significant assumptions and estimates are used in the recording of timber inventory and depletion costs. Factors that can impact timber volume include weather changes, losses due to natural causes, differences in actual versus estimated growth rates and changes in the age when timber is considered merchantable. A 3% company-wide change in estimated standing merchantable inventory would have caused an estimated change of approximately $3.4 million to 2019 depletion expense.

Merchantable standing timber inventory is estimated by our land information services group annually, using industry-standard computer software. The inventory calculation takes into account growth, in-growth (annual transfer of oldest pre-merchantable age class into merchantable inventory), timberland sales and the annual harvest specific to each business unit. The age at which timber is considered merchantable is reviewed periodically and updated for changing harvest practices, future harvest age profiles and biological growth factors.

Acquisitions of timberland can also affect the depletion rate. Upon the acquisition of timberland, we make a determination whether to combine the newly-acquired merchantable timber with an existing depletion pool or to create a new pool. The determination is based on the geographic location of the new timber, the customers/markets that will be served and species mix. During 2019, we acquired 69,000 acres of timberlands in Florida, Georgia, Texas, Washington and New Zealand. These acquisitions did not have a material impact on 2019 depletion rates.

REVENUE RECOGNITION

See Note 1 - Summary of Significant Accounting Policies.

DETERMINING THE ADEQUACY OF PENSION AND OTHER POSTRETIREMENT BENEFIT ASSETS AND LIABILITIES

We have one qualified non-contributory defined benefit pension plan covering a portion of our employees and an unfunded plan that provides benefits in excess of amounts allowable under current tax law in the qualified plan. The qualified and unfunded plans are closed to new participants.

In 2019, we recognized $0.6 million of pension and postretirement benefit cost due to the expected return on plan assets partially offsetting interest costs and amortization of losses (gains). Numerous estimates and assumptions are required to determine the proper amount of pension and postretirement liabilities and annual expense to record in our financial statements. The key assumptions include discount rate, return on assets, health care cost trends, mortality rates and longevity of employees. Although there is authoritative guidance on how to select most of the assumptions, some degree of judgment is exercised in selecting these assumptions. Different assumptions, as well as actual versus expected results, would change the periodic benefit cost and funded status of the benefit plans recognized in the financial statements. Effective December 31, 2016, the Company froze benefits for all employees participating in the pension plans. See Note 16 — Employee Benefit Plans for additional information.

DEFERRED TAX ITEMS

The Timber and Real Estate operations conducted within our REIT are generally not subject to U.S. income taxation. We expect any variability in our effective tax rate and the amount of cash taxes to be paid to be driven primarily by our New Zealand Timber and Trading segments, as our other business operations are conducted within our U.S. REIT subsidiaries. However, the assessment of the ability to realize certain deferred tax assets, or estimate deferred tax liabilities, remains subjective. See Note 10 — Income Taxes for additional information about our unrecognized tax benefits.

RESULTS OF OPERATIONS

Summary of our results of operations for the three years ended December 31:

Financial Information (in millions of dollars)	2019	2018	2017
Sales			
Southern Timber	$194.1	$170.0	$144.5
Pacific Northwest Timber	85.4	109.8	91.9
New Zealand Timber	241.9	249.0	223.3
Real Estate			
Improved Development	5.9	8.4	6.9
Unimproved Development	19.5	8.6	16.4
Rural	29.9	22.7	18.6
Timberlands & Non-Strategic - U.S.	19.1	71.0	46.3
Timberlands & Non-Strategic - N.Z.	—	27.9	24.3
Large Dispositions	—	—	95.4
Other (a)	0.5	—	(0.6)
Total Real Estate	74.9	138.6	207.3
Trading	115.4	148.8	152.6
Intersegment Eliminations	(0.1)	(0.1)	—
Total Sales	$711.6	$816.1	$819.7
Operating Income (Loss)			
Southern Timber	$57.8	$44.2	$42.2
Pacific Northwest Timber	(12.4)	8.1	1.1
New Zealand Timber	48.0	62.8	57.6
Real Estate (b)	38.7	76.2	130.9
Trading	—	1.0	4.6
Corporate and other	(25.1)	(22.3)	(20.9)
Operating Income	107.0	170.1	215.5
Interest Expense	(31.7)	(32.1)	(34.1)
Interest and other miscellaneous income, net	5.3	4.6	1.9
Income Tax Expense	(12.9)	(25.3)	(21.8)
Net Income (b)	67.7	117.3	161.5
Less: Net Income Attributable to Noncontrolling Interest	(8.6)	(15.1)	(12.7)
Net Income Attributable to Rayonier Inc. (b)	$59.1	$102.2	$148.8
Adjusted EBITDA (c)			
Southern Timber	$119.7	$102.8	$91.6
Pacific Northwest Timber	16.7	40.9	33.1
New Zealand Timber	75.8	90.8	85.1
Real Estate	59.5	123.4	95.5
Trading	—	1.0	4.6
Corporate and other	(23.9)	(21.1)	(19.4)
Total Adjusted EBITDA (c)	$247.8	$337.7	$290.5

(a) Includes marketing fees and deferred revenue adjustments related to Improved Development sales. See Note 1 - Summary of Significant Accounting Policies for a discussion of the current year reclassification of marketing fees and deferred revenue adjustments for the Real Estate segment from Improved Development to Other.
(b) The 2017 results included $67.0 million related to Large Dispositions.
(c) Adjusted EBITDA is a non-GAAP measure defined and reconciled at Item 6 — Selected Financial Data.

Southern Timber Overview	2019	2018	2017
Sales Volume (in thousands of tons)			
Pine Pulpwood	3,640	3,444	3,103
Pine Sawtimber	2,191	2,034	1,933
Total Pine Volume	5,831	5,478	5,036
Hardwood	235	240	278
Total Volume	6,066	5,718	5,314
Percentage Delivered Sales	33%	30%	22%
Percentage Stumpage Sales	67%	70%	78%
Net Stumpage Prices (dollars per ton)			
Pine Pulpwood	$16.42	$16.20	$16.14
Pine Sawtimber	24.86	25.59	25.64
Weighted Average Pine	$19.59	$19.69	$19.79
Hardwood	16.93	12.27	12.58
Weighted Average Total	$19.49	$19.37	$19.41
Summary Financial Data (in millions of dollars)			
Timber Sales	$159.2	$143.9	$122.6
Less: Cut, Haul & Freight	(41.0)	(33.1)	(19.5)
Net Stumpage Sales	$118.2	$110.8	$103.1
Non-Timber Sales	$35.0	$26.1	$21.9
Total Sales	$194.1	$170.0	$144.5
Operating Income	$57.8	$44.2	$42.2
(+) Depreciation, depletion and amortization	61.9	58.6	49.4
Adjusted EBITDA (a)	$119.7	$102.8	$91.6
Other Data			
Year-End Acres (in thousands)	1,835	1,807	1,820

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled at Item 6 — Selected Financial Data.

Pacific Northwest Timber Overview	2019	2018	2017
Sales Volume (in thousands of tons)			
Pulpwood	254	299	276
Sawtimber	956	1,007	971
Total Volume	1,211	1,305	1,247
Sales Volume (converted to MBF)			
Pulpwood	24,109	28,307	25,973
Sawtimber	126,717	132,795	125,577
Total Volume	150,826	161,102	151,550
Percentage Delivered Sales	94%	86%	83%
Percentage Sawtimber Sales	79%	77%	78%
Delivered Log Pricing (in dollars per ton)			
Pulpwood	$41.09	$47.82	$40.62
Sawtimber	78.41	96.24	84.55
Weighted Average Log Price	$70.34	$84.29	$73.89
Summary Financial Data (in millions of dollars)			
Timber Sales	$82.7	$106.5	$88.7
Less: Cut and Haul	(45.9)	(44.9)	(36.7)
Net Stumpage Sales	$36.8	$61.5	$52.0
Non-Timber Sales	$2.7	$3.4	$3.2
Total Sales	$85.4	$109.8	$91.9
Operating (Loss) Income	($12.4)	$8.1	$1.1
(+) Depreciation, depletion and amortization	29.2	32.8	32.0
Adjusted EBITDA (a)	$16.7	$40.9	$33.1
Other Data			
Year-End Acres (in thousands)	379	378	378
Sawtimber (in dollars per MBF) (b)	$587	$725	$665
Estimated Percentage of Export Volume	17%	23%	26%

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled at Item 6 — Selected Financial Data.

(b) Delivered Sawtimber excluding chip-n-saw.

New Zealand Timber Overview	2019	2018	2017
Sales Volume (in thousands of tons)			
Domestic Pulpwood (Delivered)	490	507	448
Domestic Sawtimber (Delivered)	803	864	852
Export Pulpwood (Delivered)	148	94	106
Export Sawtimber (Delivered)	1,290	1,210	1,133
Total Volume	2,731	2,675	2,539
Delivered Log Pricing (in dollars per ton)			
Domestic Pulpwood	$37.93	$37.00	$33.84
Domestic Sawtimber	77.85	83.29	81.12
Export Sawtimber	105.65	117.03	112.74
Weighted Average Log Price	$84.75	$90.44	$87.61
Summary Financial Data (in millions of dollars)			
Timber Sales	$231.4	$241.9	$222.5
Less: Cut and Haul	(88.1)	(85.9)	(80.6)
Less: Port and Freight Costs	(51.0)	(49.5)	(39.7)
Net Stumpage Sales	$92.3	$106.5	$102.2
Non-Timber Sales / Carbon Credits	10.5	7.1	0.8
Total Sales	$241.9	$249.0	$223.3
Operating Income	$48.0	$62.8	$57.6
(+) Depreciation, depletion and amortization	27.8	28.0	27.5
Adjusted EBITDA (a)	$75.8	$90.8	$85.1
Other Data			
New Zealand Dollar to U.S. Dollar Exchange Rate (b)	0.6615	0.6935	0.7108
Net Plantable Year-End Acres (in thousands)	295	289	293
Export Sawtimber (in dollars per JAS m^3)	$122.84	$136.07	$131.08
Domestic Sawtimber (in $NZD per tonne)	$129.46	$132.22	$125.43

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled at Item 6 — Selected Financial Data.

(b) Represents the period average rates for each year.

Real Estate Overview	2019	2018	2017
Sales (in millions of dollars)			
Improved Development (a)	$5.9	$8.4	$6.9
Unimproved Development	19.5	8.6	16.4
Rural	29.9	22.7	18.6
Timberlands & Non-Strategic - U.S.	19.1	71.0	46.3
Timberlands & Non-Strategic - N.Z.	—	27.9	24.3
Large Dispositions (b)	—	—	95.4
Other (c)	0.5	—	(0.6)
Total Sales	$74.9	$138.6	$207.3
Acres Sold			
Improved Development (a)	44	44	23
Unimproved Development	1,196	751	1,449
Rural	7,656	5,008	6,344
Timberlands & Non-Strategic - U.S.	8,254	22,815	16,007
Timberlands & Non-Strategic - N.Z. (d)	—	4,996	9,645
Large Dispositions (b)	—	—	49,599
Total Acres Sold	17,151	33,614	83,068
Price per Acre (dollars per acre)			
Improved Development (a)	$132,412	$189,154	$296,550
Unimproved Development	16,290	11,486	11,318
Rural	3,899	4,530	2,937
Timberlands & Non-Strategic - U.S.	2,318	3,110	2,891
Timberlands & Non-Strategic - N.Z.	—	5,588	2,520
Large Dispositions (b)	—	—	1,922
Weighted Average (Total) (e)	$4,335	$4,121	$3,362
Weighted Average (Adjusted) (f)	$4,002	$3,878	$3,158
Total Sales (Excluding Large Dispositions)	$74.9	$138.6	$111.9
Operating Income	$38.7	$76.2	$130.9
(+) Depreciation, depletion and amortization - U.S.	8.2	19.1	9.0
(+) Depreciation, depletion and amortization - N.Z.	—	4.5	8.9
(+) Non-cash cost of land and improved development - U.S.	12.6	23.6	13.6
(+) Non-cash cost of land and improved development - N.Z.	—	—	0.1
(–) Large Dispositions (b)	—	—	(67.0)
Adjusted EBITDA (g)	$59.5	$123.4	$95.5

(a) Reflects land with capital invested in infrastructure improvements.
(b) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have a demonstrable premium relative to timberland value. In 2017, the Company completed two dispositions of approximately 50,000 total acres for a combined sales price and gain of approximately $95.4 million and $67.0 million, respectively.
(c) Includes marketing fees and deferred revenue adjustments related to Improved Development sales. See Note 1 - Summary of Significant Accounting Policies for a discussion of the current year reclassification of marketing fees and deferred revenue adjustments for the Real Estate segment from Improved Development to Other.
(d) New Zealand Timberlands & Non-Strategic represents productive acres.
(e) Excludes Large Dispositions.
(f) Excludes Improved Development and Large Dispositions.
(g) Adjusted EBITDA is a non-GAAP measure defined and reconciled at Item 6 — Selected Financial Data.

Capital Expenditures By Segment	2019	2018	2017
Timber Capital Expenditures (in millions of dollars)			
Southern Timber			
Reforestation, silvicultural and other capital expenditures	$18.8	$20.0	$17.9
Property taxes	7.1	6.6	8.1
Lease and timber deed payments	4.4	4.6	4.8
Allocated overhead	4.3	4.2	3.7
Subtotal Southern Timber	$34.6	$35.4	$34.5
Pacific Northwest Timber			
Reforestation, silvicultural and other capital expenditures	7.4	6.2	7.3
Property taxes	0.7	0.8	0.9
Allocated overhead	3.1	2.4	2.0
Subtotal Pacific Northwest Timber	$11.2	$9.3	$10.2
New Zealand Timber			
Reforestation, silvicultural and other capital expenditures	9.4	9.7	9.1
Property taxes	0.6	0.7	0.7
Lease and timber deed payments	4.7	4.1	4.4
Allocated overhead	2.6	2.8	2.9
Subtotal New Zealand Timber	$17.4	$17.3	$17.1
Total Timber Segments Capital Expenditures	$63.2	$62.0	$61.8
Real Estate	0.2	0.3	1.3
Corporate	0.6	—	2.2
Total Capital Expenditures	$64.0	$62.3	$65.3
Timberland Acquisitions			
Southern Timber	$98.9	$45.9	$220.0
Pacific Northwest Timber	7.3	—	1.5
New Zealand Timber	36.0	11.7	21.4
Total Timberland Acquisitions	$142.3	$57.6	$242.9
Real Estate Development Investments	$6.8	$9.5	$15.8
Rayonier Office Building	—	—	$6.1

RESULTS OF OPERATIONS, 2019 VERSUS 2018

(millions of dollars)

The following tables summarize sales, operating income and Adjusted EBITDA variances for 2019 versus 2018:

Sales	Southern Timber		Pacific Northwest Timber		New Zealand Timber		Real Estate		Trading	Elim.	Total
2018	$170.0		$109.8		$249.0		$138.6		$148.8	(0.1)	$816.1
Volume	6.7		(4.5)		4.9		(67.9)		(23.0)	—	(83.8)
Price	0.7		(20.2)		(17.1)		3.7		(10.5)	—	(43.4)
Non-timber sales	8.8		(0.7)		3.7		—		0.1	—	11.9
Foreign exchange (a)	—		—		(4.5)		—		—	—	(4.5)
Other	7.9	(b)	1.0	(b)	5.9	(c)	0.5	(d)	—	—	15.3
2019	$194.1		$85.4		$241.9		$74.9		$115.4	(0.1)	$711.6

(a) Net of currency hedging impact.
(b) Includes variance due to stumpage versus delivered sales.
(c) Includes variance due to domestic versus export sales.
(d) Includes $0.5 million of marketing fees and deferred revenue adjustments related to Improved Development sales.

Operating Income	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and Other	Total
2018	$44.2	$8.1	$62.8	$76.2	$1.0	($22.3)	$170.1
Volume	3.1	(1.5)	1.7	(44.2)	—	—	(40.9)
Price (a)	0.7	(20.2)	(17.1)	3.7	—	—	(32.9)
Cost	0.5	0.6	(1.2)	(1.1)	(1.0)	(1.1)	(3.3)
Non-timber income	9.1	(0.7)	3.2	—	—	—	11.6
Foreign exchange (b)	—	—	(0.9)	—	—	—	(0.9)
Depreciation, depletion & amortization	0.2	1.3	(0.5)	3.9	—	—	4.9
Non-cash cost of land and improved development	—	—	—	(0.3)	—	—	(0.3)
Other (c)	—	—	—	0.5	—	(1.7)	(1.2)
2019	$57.8	($12.4)	$48.0	$38.7	—	($25.1)	$107.0

(a) For Timber segments, price reflects net stumpage (i.e. net of cut and haul and shipping costs).
(b) Net of currency hedging impact.
(c) Real Estate includes $0.5 million of marketing fees and deferred revenue adjustments related to Improved Development sales. Corporate and Other includes legal expenses of $1.1 million and the sale of unused Internet Protocol addresses of $0.6 million in the prior year.

Adjusted EBITDA (a)	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Corporate and Other	Total
2018	$102.8	$40.9	$90.8	$123.4	$1.0	($21.1)	$337.7
Volume	6.6	(3.9)	2.2	(67.0)	—	—	(62.1)
Price (b)	0.7	(20.2)	(17.1)	3.7	—	—	(32.9)
Cost	0.5	0.6	(1.2)	(1.1)	(1.0)	(1.1)	(3.3)
Non-timber income	9.1	(0.7)	3.2	—	—	—	11.6
Foreign exchange (c)	—	—	(2.1)	—	—	—	(2.1)
Other (d)	—	—	—	0.5	—	(1.7)	(1.2)
2019	$119.7	$16.7	$75.8	$59.5	—	($23.9)	$247.8

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled at Item 6 — Selected Financial Data.
(b) For Timber segments, price reflects net stumpage (i.e. net of cut and haul and shipping costs).
(c) Net of currency hedging impact.
(d) Real Estate includes $0.5 million of marketing fees and deferred revenue adjustments related to Improved Development sales. Corporate and Other includes legal expenses of $1.1 million and the sale of unused Internet Protocol addresses of $0.6 million in the prior year.

SOUTHERN TIMBER

Full-year sales of $194.1 million increased $24.1 million, or 14%, versus the prior year, which includes an increase in non-timber sales of $8.8 million versus the prior year. Harvest volumes increased 6% to 6.07 million tons versus 5.72 million tons in the prior year. Average pine sawtimber stumpage prices decreased 3% to $24.86 per ton versus $25.59 per ton in the prior year, while average pine pulpwood stumpage prices of $16.42 per ton were slightly above the prior year. The decrease in average sawtimber prices was driven primarily by weaker export demand, particularly in the second half of the year, due to the ongoing U.S.-China trade dispute.

Operating income of $57.8 million increased $13.6 million versus the prior year due to higher volumes ($3.1 million), higher prices ($0.7 million), higher non-timber income ($9.1 million), lower costs ($0.5 million) and lower depletion rates ($0.2 million). Full-year Adjusted EBITDA of $119.7 million was $16.9 million above the prior year.

PACIFIC NORTHWEST TIMBER

Full-year sales of $85.4 million decreased $24.5 million, or 23%, versus the prior year. Harvest volumes decreased 7% to 1.21 million tons versus 1.31 million tons in the prior year, as we deferred planned harvest in response to weak market conditions. Average delivered sawtimber prices decreased 19% to $78.41 per ton versus $96.24 per ton in the prior year, and average delivered pulpwood prices decreased 14% to $41.09 per ton versus $47.82 per ton in the prior year. The decrease in delivered sawtimber prices was driven primarily by weaker export market conditions due to the ongoing U.S.-China trade dispute as well as competition from lower-priced European salvage timber. The decrease in delivered pulpwood prices was driven primarily by excess supply in the market.

Operating loss of $12.4 million versus operating income of $8.1 million in the prior year was primarily due to lower prices ($20.2 million), lower volumes ($1.5 million), and lower non-timber income ($0.7 million), partially offset by lower costs ($0.6 million) and lower depletion rates ($1.3 million). Full-year Adjusted EBITDA of $16.7 million was $24.2 million below the prior year.

NEW ZEALAND TIMBER

Full-year sales of $241.9 million decreased $7.2 million, or 3%, versus the prior year. Harvest volumes increased 2% to 2.73 million tons versus 2.68 million tons in the prior year. Average delivered prices for export sawtimber decreased 10% to $105.65 per ton versus $117.03 per ton in the prior year, while average delivered prices for domestic sawtimber decreased 6% to $77.85 per ton versus $83.29 in the prior year. The decrease in export sawtimber prices was primarily due to increased competition from lower-cost log and lumber imports, predominantly from Europe, into China. The decrease in domestic sawtimber prices (in U.S. dollar terms) was driven primarily by the NZ$/US$ exchange rate (US $0.66 per NZ$1.00 versus US$0.69 per NZ$1.00). Excluding the impact of foreign exchange rates, domestic sawtimber prices decreased 2% from the prior year.

Operating income of $48.0 million decreased $14.7 million versus the prior year due to lower prices ($17.1 million), higher forest management costs ($1.2 million), unfavorable foreign exchange impacts ($0.9 million), and higher depletion rates ($0.5 million), which were partially offset by higher non-timber income ($3.2 million) and higher volumes ($1.7 million). Full-year Adjusted EBITDA of $75.8 million was $15.0 million below the prior year.

REAL ESTATE

Full-year sales of $74.9 million decreased $63.7 million versus the prior year, while operating income of $38.7 million decreased $37.6 million versus the prior year. Sales and operating income decreased primarily due to lower volumes (17,151 acres sold versus 33,614 acres sold in the prior year), partially offset by higher weighted average prices ($4,335 per acre versus $4,121 per acre in the prior year). Full-year Adjusted EBITDA of $59.5 million was $63.9 million below the prior year.

TRADING

Full-year sales of $115.4 million decreased $33.4 million versus the prior year due to lower volumes and prices. Sales volumes decreased 16% to 1.11 million tons versus 1.31 million tons in the prior year period. Average prices decreased 8% to $103.49 per ton versus $112.96 per ton in the prior year. Operating income decreased $1.0 million versus the prior year due to lower trading margins resulting from lower volumes and prices.

CORPORATE AND OTHER EXPENSE/ELIMINATIONS

Full-year corporate and other operating expense of $25.1 million increased $2.8 million versus the prior year due to elevated legal expenses ($1.6 million), prior year income from the sale of unused Internet Protocol addresses ($0.6 million), acquisition related costs ($0.3 million) and higher compensation and benefit expense ($0.3 million).

INTEREST EXPENSE

Full-year interest expense of $31.7 million decreased $0.3 million versus the prior year due to an increase in accrued patronage payments.

INTEREST AND OTHER MISCELLANEOUS INCOME, NET

Other non-operating income of $5.3 million increased $0.7 million versus the prior year. The 2019 results include a favorable mark-to-market adjustment on marketable equity securities, interest income, dividend income and net periodic pension costs.

INCOME TAX EXPENSE

Full-year income tax expense of $12.9 million decreased $12.3 million versus the prior year period as a result of lower taxable income. The New Zealand subsidiary is the primary driver of income tax expense.

RESULTS OF OPERATIONS, 2018 VERSUS 2017

Refer to Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 for the results of operations discussion for the fiscal year ended December 31, 2018 compared to the fiscal year ended December 31, 2017.

OUTLOOK FOR 2020

In 2020, we expect to achieve full-year harvest volumes in our Southern Timber segment of 6.3 to 6.5 million tons, while we expect overall pricing to be slightly below 2019 average pricing due to geographic mix.

In our Pacific Northwest Timber segment, we expect to achieve harvest volumes of 1.4 to 1.5 million tons, while we expect relatively stable pricing as markets have adjusted to lower log export volumes resulting from China tariffs and competition from European salvage volume.

We remain cautiously optimistic that export market conditions in both Southern Timber and Pacific Northwest Timber will gradually improve as the U.S.-China Phase 1 trade agreement is implemented and as additional details of the agreement become clear, although we expect near-term headwinds associated with the coronavirus outbreak in China.

In our New Zealand Timber segment, we expect to achieve harvest volumes of 2.6 to 2.7 million tons, while we expect lower average export and domestic pricing due to challenging export market conditions resulting from competition from European salvage volume as well as the recent impacts from the coronavirus outbreak. We further expect that Adjusted EBITDA in the New Zealand Timber segment will be negatively impacted by higher shipping costs due to the implementation of low-sulfur fuel requirements.

In our Real Estate segment, we expect a significant increase in Adjusted EBITDA based on our current pipeline of transactions, although we anticipate that real estate activity will be heavily weighted to the second half of the year.

Our 2020 outlook excludes the impact of our anticipated mid-year acquisition of Pope Resources and is subject to a number of variables and uncertainties, including those discussed at Item 1A — Risk Factors.

LIQUIDITY AND CAPITAL RESOURCES

Our principal source of cash is cash flow from operations, primarily the harvesting of timber and sales of real estate. As a REIT, our main use of cash is dividends. We also use cash to maintain the productivity of our timberlands through replanting and silviculture. Our operations have generally produced consistent cash flow and required limited capital resources. Short-term borrowings have helped fund working capital needs while acquisitions of timberlands generally require funding from external sources or Large Dispositions.

SUMMARY OF LIQUIDITY AND FINANCING COMMITMENTS

	As of December 31,		
(in millions of dollars)	2019	2018	2017
Cash and cash equivalents	$68.7	$148.4	$112.7
Total debt (a)	1,057.0	975.0	1,028.4
Shareholders' equity	1,537.6	1,654.6	1,693.0
Net Income Attributable to Rayonier Inc.	59.1	102.2	148.8
Adjusted EBITDA (b)	247.8	337.7	290.5
Total capitalization (total debt plus equity)	2,594.6	2,629.6	2,721.4
Debt to capital ratio	41%	37%	38%
Debt to Adjusted EBITDA (b)	4.3	2.9	3.5
Net debt to Adjusted EBITDA (b)(c)	4.0	2.4	3.2
Net debt to enterprise value (c)(d)	19%	19%	18%

(a) Total debt as of December 31, 2019, 2018 and 2017 is presented gross of deferred financing costs of $1.9 million, $2.4 million and $3.0 million, respectively.
(b) For a reconciliation of Adjusted EBITDA to net income see Management's Discussion and Analysis of Financial Condition and Results of Operations—Performance and Liquidity Indicators.
(c) Net debt is calculated as total debt less cash and cash equivalents.
(d) Enterprise value is calculated as the number of shares outstanding multiplied by the Company's share price, plus net debt, at year-end.

LIQUIDITY FACILITIES

See Note 6 — Debt for information on liquidity facilities and other outstanding debt, as well as for information on covenants that must be met in connection with our Senior Notes, Term Credit Agreement, Incremental Term Loan Agreement and Revolving Credit Facility.

CASH FLOWS

The following table summarizes our cash flows from operating, investing and financing activities for each of the three years ended December 31 (in millions of dollars):

	2019	2018	2017
Total cash provided by (used for):			
Operating activities	$214.3	$310.1	$256.3
Investing activities	(219.4)	(132.9)	(235.3)
Financing activities	(79.6)	(193.7)	(6.9)
Effect of exchange rate changes on cash	(1.8)	0.6	0.6
Change in cash, cash equivalents and restricted cash	($86.5)	($15.9)	$14.7

CASH PROVIDED BY OPERATING ACTIVITIES

Cash provided by operating activities decreased $95.8 million versus the prior year primarily due to lower operating results.

CASH USED FOR INVESTING ACTIVITIES

Cash used for investing activities increased $86.5 million versus the prior year primarily due to an $84.7 million increase in cash used for timberland acquisitions, a $1.7 million increase in capital expenditures and a $2.8 million increase in other investing activities, partially offset by a $2.7 million decrease in real estate development investments.

CASH USED FOR FINANCING ACTIVITIES

Cash used for financing activities in 2019 reflects dividend payments of $141.1 million, $12.7 million of share repurchases ($8.4 million made under the share repurchase program) and $9.2 million of distributions to the minority shareholder, partially offset by an $82.0 million draw on the Revolving Credit Facility and $1.3 million of proceeds from the issuance of common stock under the incentive stock plan.

RESTRICTED CASH

See Note 20 — Restricted Cash for further information regarding funds deposited with a third-party intermediary.

CREDIT RATINGS

Both our ability to obtain financing and the related costs of borrowing are affected by our credit ratings, which are periodically reviewed by the rating agencies. As of December 31, 2019, our credit ratings from S&P and Moody's were "BBB-" and "Baa3," respectively, with both agencies listing our outlook as "Stable."

STRATEGY

We continuously evaluate our capital structure. Our strategy is to maintain a weighted-average cost of capital competitive with other timberland REITs and TIMOs, while maintaining an investment grade debt rating as well as retaining the flexibility to actively pursue capital allocation opportunities as they become available. Overall, we believe we have adequate liquidity and sources of capital to run our businesses efficiently and effectively and to maximize the value of our timberland and real estate assets under management.

EXPECTED 2020 EXPENDITURES

Capital expenditures in 2020 are forecasted to be between $65 million and $69 million, excluding any strategic timberland acquisitions we may make. Capital expenditures are expected to be primarily comprised of seedling planting, fertilization and other silvicultural activities, property taxes, lease payments, allocated overhead and other capitalized costs. Aside from capital expenditures, we may also acquire timberland as we actively evaluate acquisition opportunities.

Real estate development investments in 2020 are expected to be between $12 million and $15 million, net of anticipated reimbursements from community development bonds. Expected real estate development investments are primarily related to Wildlight, our mixed-use community development project located north of Jacksonville, Florida, and our Richmond Hill mixed-use development project located south of Savannah, Georgia.

Our 2020 dividend payments are expected to be approximately $140 million assuming no change in the quarterly dividend rate of $0.27 per share or material changes in the number of shares outstanding.

Future share repurchases, if any, will depend on the Company's liquidity and cash flow, as well as general market conditions and other considerations including capital allocation priorities.

We made $1.3 million of required pension contributions in 2019. We have approximately $3.6 million of pension contribution requirements in 2020 and may make discretionary contributions in the future.

Cash income tax payments in 2020 are expected to be approximately $2 million, primarily due to the New Zealand subsidiary.

PERFORMANCE AND LIQUIDITY INDICATORS

The discussion below is presented to enhance the reader's understanding of our operating performance, liquidity, ability to generate cash and satisfy rating agency and creditor requirements. This information includes two measures of financial results: Adjusted Earnings before Interest, Taxes, Depreciation, Depletion and Amortization ("Adjusted EBITDA"), and Cash Available for Distribution ("CAD"). These measures are not defined by Generally Accepted Accounting Principles ("GAAP") and the discussion of Adjusted EBITDA and CAD is not intended to conflict with or change any of the GAAP disclosures described above. Management considers these measures to be important to estimate the enterprise and shareholder values of the Company as a whole and of its core segments, and for allocating capital resources. In addition, analysts, investors and creditors use these measures when analyzing our operating performance, financial condition and cash generating ability. Management uses Adjusted EBITDA as a performance measure and CAD as a liquidity measure. Adjusted EBITDA and CAD as defined may not be comparable to similarly titled measures reported by other companies. These measures should not be considered in isolation from, and are not intended to represent an alternative to, our results reported in accordance with GAAP.

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land and improved development, non-operating income and expense, costs related to shareholder litigation, the gain on foreign currency derivatives, and Large Dispositions. Below is a reconciliation of Net Income to Adjusted EBITDA for the five years ended December 31 (in millions of dollars):

	2019	2018	2017	2016	2015
Net Income to Adjusted EBITDA Reconciliation					
Net Income	$67.7	$117.3	$161.5	$217.8	$43.9
Interest, net, continuing operations	29.1	29.7	32.2	33.0	34.7
Income tax expense (benefit), continuing operations	12.9	25.2	21.8	5.0	(0.9)
Depreciation, depletion and amortization	128.2	144.1	127.6	115.1	113.7
Non-cash cost of land and improved development	12.6	23.6	13.7	11.7	12.5
Non-operating (income) expense	(2.7)	(2.2)	—	—	0.1
Costs related to shareholder litigation (a)	—	—	0.7	2.2	4.1
Gain on foreign currency derivatives (b)	—	—	—	(1.2)	—
Large Dispositions (c)	—	—	(67.0)	(143.9)	—
Adjusted EBITDA	$247.8	$337.7	$290.5	$239.7	$208.1

(a) Costs related to shareholder litigation include expenses incurred as a result of the shareholder derivative demands that ultimately resulted in litigation brought against certain former officers and directors of the Company in a case styled Molloy, et al. v. Boynton, et al., filed in the United States District Court for the Middle District of Florida (Case No. 3:17-cv-01157-TJC-MCR). In addition, these costs include the costs associated with class action securities litigation brought against the Company in a case styled In re Rayonier Inc. Securities Litigation, filed in the United States District Court for the Middle District of Florida (Case No. 3:14-cv01395-RJC-JBT) and the Company's response to a subpoena it received from the SEC in November 2014. In July 2016, the Division of Enforcement of the SEC notified the Company that it had concluded its investigation into the Company. In October 2017, the court entered orders approving the settlement of the class action securities litigation and dismissing the case against all defendants with prejudice. In November 2018, the court entered orders approving the settlement of the derivative demands and entering final judgment in the litigation arising therefrom, thus ending the shareholder litigation matters.

(b) Gain on foreign currency derivatives is the gain resulting from the foreign exchange derivatives the Company used to mitigate the risk of fluctuations in foreign exchange rates while awaiting the capital contribution to the New Zealand subsidiary.

(c) Large Dispositions are defined as transactions involving the sale of timberland that exceed $20 million in size and do not have a demonstrable premium relative to timberland value.

See Item 6 — Selected Financial Data for a reconciliation of Adjusted EBITDA to Operating Income by segment as well as Item 7 — Results of Operations for an analysis of changes in Adjusted EBITDA from the prior year.

Cash Available for Distribution (CAD) is defined as cash provided by operating activities adjusted for capital spending (excluding timberland acquisitions, real estate development investments and spending on the Rayonier office building), and working capital and other balance sheet changes. CAD is a non-GAAP measure of cash generated during a period that is available for common stock dividends, distributions to the New Zealand minority shareholder, repurchase of the Company's common shares, debt reduction, timberland acquisitions and real estate development investments. In compliance with SEC requirements for non-GAAP measures, we reduce CAD by mandatory debt repayments, which results in the measure entitled "Adjusted CAD." CAD and Adjusted CAD generated in any period is not necessarily indicative of the CAD that may be generated in future periods.

Below is a reconciliation of Cash Provided by Operating Activities to Adjusted CAD for the five years ended December 31 (in millions):

	2019	2018	2017	2016	2015
Cash provided by operating activities	$214.3	$310.1	$256.3	$203.8	$177.2
Capital expenditures from continuing operations (a)	(64.0)	(62.3)	(65.3)	(58.7)	(57.3)
Working capital and other balance sheet changes	(0.9)	(7.7)	(2.3)	(0.8)	(2.5)
CAD	$149.4	$240.1	$188.7	$144.3	$117.4
Mandatory debt repayments (b)	(82.0)	—	—	(31.5)	(131.0)
Adjusted CAD	$67.4	$240.1	$188.7	$112.8	($13.6)
Cash used for investing activities	($219.4)	($132.9)	($235.3)	($235.0)	($149.5)
Cash (used for) provided by financing activities	($79.6)	($193.7)	($6.9)	$114.4	($116.5)

(a) Capital expenditures exclude timberland acquisitions, real estate development investments and spending on the Rayonier office building.

(b) Excludes debt repayments on the New Zealand subsidiary noncontrolling interest shareholder loan.

The following table provides supplemental cash flow data for the five years ended December 31 (in millions):

	2019	2018	2017	2016	2015
Purchase of timberlands	($142.3)	($57.6)	($242.9)	($366.5)	($98.4)
Real Estate Development Investments	(6.8)	(9.5)	(15.8)	(8.7)	(2.7)
Distributions to New Zealand minority shareholder (a)	(9.2)	(14.4)	(15.8)	(4.9)	(1.4)
Rayonier Office Building	—	—	(6.1)	(6.3)	(0.9)

(a) Includes debt repayments on the New Zealand subsidiary noncontrolling interest shareholder loan.

OFF-BALANCE SHEET ARRANGEMENTS

We utilize off-balance sheet arrangements to provide credit support for certain suppliers and vendors in case of their default on critical obligations, and collateral for outstanding claims under the Company's previous workers' compensation self-insurance programs. These arrangements consist of standby letters of credit and surety bonds. As part of our ongoing operations, we also periodically issue guarantees to third parties. Off-balance sheet arrangements are not considered a source of liquidity or capital resources and do not expose us to material risks or material unfavorable financial impacts. See Note 12 — Guarantees for further discussion.

CONTRACTUAL FINANCIAL OBLIGATIONS

In addition to using cash flow from operations and proceeds from Large Dispositions, we finance our operations and acquisitions through the issuance of debt and by entering into leases. These financial obligations are recorded in accordance with accounting rules applicable to the underlying transaction, with the result that some are recorded as liabilities on the Consolidated Balance Sheets, while others are required to be disclosed in the Notes to Consolidated Financial Statements and Management's Discussion and Analysis.

The following table aggregates our contractual financial obligations as of December 31, 2019 and anticipated cash spending by period:

		Payments Due by Period			
Contractual Financial Obligations (in millions)	**Total**	**2020**	**2021-2022**	**2023-2024**	**Thereafter**
Long-term debt (a)	$975.0	—	325.0	$350.0	$300.0
Current maturities of long-term debt	82.0	82.0	—	—	—
Interest payments on long-term debt (b)	153.8	36.1	63.2	40.1	14.4
Operating leases — timberland (c)	183.1	7.9	15.9	14.4	144.9
Operating leases — PP&E, offices	8.0	2.0	2.2	1.6	2.2
Commitments — derivatives (d)	9.4	2.2	4.0	3.2	—
Commitments — other (e)	12.7	8.3	1.2	0.4	2.8
Total contractual cash obligations	$1,424.0	$138.5	$411.5	$409.7	$464.3

(a) The book value of long-term debt, net of deferred financing costs, is currently recorded at $973.1 million on the Company's Consolidated Balance Sheet, but upon maturity the liability will be $975.0 million.

(b) Projected interest payments for variable-rate debt were calculated based on outstanding principal amounts and interest rates as of December 31, 2019.

(c) Includes 20 years of future minimum payments for perpetual Crown Forest Licenses ("CFL"). A CFL is a license arrangement to use government or privately owned lands to operate a commercial forest. CFLs generally extend indefinitely and may only be terminated upon a 35-year termination notice. If no termination notice is given, the CFLs renew automatically each year for a one-year term. Alternatively, some CFLs extend for a specific term. As of December 31, 2019, the New Zealand subsidiary has two CFLs under termination notice that are currently being relinquished as harvest activities are concluded, as well as two fixed-term CFLs expiring in 2062. The annual license fee is determined based on market rental value, with triennial rent reviews.

(d) Commitments — derivatives represent payments expected to be made on derivative financial instruments (foreign exchange contracts and interest rate swaps). See Note 14 — Derivative Financial Instruments and Hedging Activities.

(e) Commitments — other includes pension contribution requirements based on actuarially determined estimates and IRS minimum funding requirements, payments expected to be made on the Company's Wildlight and Richmond Hill development projects, payments made on timberland deeds and other purchase obligations.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including changes in interest rates, commodity prices and foreign exchange rates. Our objective is to minimize the economic impact of these market risks. We use derivatives in accordance with policies and procedures approved by the Audit Committee of the Board of Directors. Derivatives are managed by the finance department, whose responsibilities include initiating derivative transactions as well as managing and monitoring resulting exposures. We do not enter into financial instruments for trading or speculative purposes.

Interest Rate Risk

We are exposed to interest rate risk through our variable rate debt, primarily due to changes in LIBOR. However, we use interest rate swaps to manage our exposure to interest rate movements on our term credit agreements by swapping existing and anticipated future borrowings from floating rates to fixed rates. As of December 31, 2019, we had $650 million of U.S. long-term variable rate debt. The notional amount of outstanding interest rate swap contracts with respect to this debt at December 31, 2019 was also $650 million. The term credit agreement and associated interest rate swaps mature in August 2024 and the incremental term loan agreement and associated interest rate swaps mature in May 2026. At this borrowing level, a hypothetical one-percentage point increase/decrease in interest rates would result in no corresponding increase/decrease in interest payments and expense over a 12-month period.

The fair market value of our long-term fixed interest rate debt is also subject to interest rate risk. The estimated fair value of our long-term fixed rate debt at December 31, 2019 was $332 million compared to the $325 million principal amount. We use interest rates of debt with similar terms and maturities to estimate the fair value of our debt. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A hypothetical one-percentage point increase/decrease in prevailing interest rates at December 31, 2019 would result in a corresponding decrease/increase in the fair value of our long-term fixed rate debt of approximately $7 million.

We estimate the periodic effective interest rate on our U.S. long-term fixed and variable rate debt to be approximately 3.3% after consideration of interest rate swaps and estimated patronage refunds.

The following table summarizes our outstanding debt, interest rate swaps and average interest rates, by year of expected maturity and their fair values at December 31, 2019:

(Dollars in thousands)	2020	2021	2022	2023	2024	Thereafter	Total	Fair Value
Variable rate debt:								
Principal amounts	82,000	—	—	—	350,000	$300,000	$732,000	$732,000
Average interest rate (a)(b)	2.99%	—	—	—	3.33%	3.61%	3.41%	—
Fixed rate debt:								
Principal amounts	—	—	$325,000	—	—	—	$325,000	$331,500
Average interest rate (b)	—	—	3.75%		—	—	3.75%	—
Interest rate swaps:								
Notional amount	—	—	—	—	350,000	$300,000	$650,000	($8,454)
Average pay rate	—	—	—	—	2.28%	1.49%	1.91%	—
Average receive rate (b)	—	—	—	—	1.70%	1.71%	1.71%	—

(a) Excludes estimated patronage refunds.
(b) Interest rates as of December 31, 2019.

Foreign Currency Exchange Rate Risk

The functional currency of the Company's New Zealand-based operations and New Zealand subsidiary is the New Zealand dollar. Through these operations and our ownership in the New Zealand subsidiary, we are exposed to foreign currency risk on cash held in foreign currencies, shareholder distributions which are denominated in U.S. dollars and on foreign export sales and ocean freight payments that are predominantly denominated in U.S. dollars. To mitigate these risks, the New Zealand subsidiary routinely enters into foreign currency exchange contracts and foreign currency option contracts to hedge a portion of the New Zealand subsidiary's foreign exchange exposure.

Sales and Expense Exposure

At December 31, 2019, the New Zealand subsidiary had foreign currency exchange contracts with a notional amount of $56 million and foreign currency option contracts with a notional amount of $22 million outstanding related to foreign export sales and ocean freight payments. The amount hedged represents 69% of forecast U.S. dollar denominated sales proceeds less distributions over the next 18 months and 74% of log trading sales proceeds over the next 3 months.

The following table summarizes our outstanding foreign currency exchange rate risk contracts at December 31, 2019:

(Dollars in thousands)	0-1 months	1-2 months	2-3 months	3-6 months	6-12 months	12-18 months	Total	Fair Value
Foreign exchange contracts to sell U.S. dollar for New Zealand dollar								
Notional amount	$3,350	$4,000	$5,000	$17,000	$20,000	$7,000	$56,350	$642
Average contract rate	1.4859	1.4854	1.4849	1.4836	1.4818	1.4802	1.4829	
Foreign currency option contracts to sell U.S. dollar for New Zealand dollar								
Notional amount	$4,000	$2,000	—	—	$8,000	$8,000	$22,000	$303
Average strike price	1.5191	1.4987	—	—	1.5513	1.5846	1.5527	

Equity Price Risk

Our marketable equity securities are subject to market price risk. Accordingly, a fluctuation in the price of each security could have an adverse impact on the fair value of our investment. See Note 15 — Fair Value Measurements.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To Our Shareholders:

The management of Rayonier Inc. and its subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our system of internal controls over financial reporting is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of the financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of the inherent limitations of internal control over financial reporting, misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Rayonier Inc.'s management, under the supervision of the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, we used the framework included in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on our evaluation under the criteria set forth in *Internal Control — Integrated Framework*, management concluded that our internal control over financial reporting was effective as of December 31, 2019.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements, has issued an audit report on the Company's internal control over financial reporting as of December 31, 2019. The report on the Company's internal control over financial reporting as of December 31, 2019, is on page 50.

RAYONIER INC.

By: /s/ DAVID L. NUNES

David L. Nunes
President and Chief Executive Officer
(Principal Executive Officer)

February 24, 2020

By: /s/ MARK MCHUGH

Mark McHugh
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

February 24, 2020

By: /s/ APRIL TICE

April Tice
Vice President, Financial Services and Corporate Controller
(Principal Accounting Officer)

February 24, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Rayonier Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Rayonier Inc. and subsidiaries' internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Rayonier Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and schedule and our report dated February 24, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Jacksonville, Florida
February 24, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Rayonier Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Rayonier Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income and comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 24, 2020 expressed an unqualified opinion thereon.

Adoption of ASU No. 2016-02, Leases (Topic 842), as amended

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of ASU No. 2016-02, Leases (Topic 842), as amended.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

	Depletion of Timber
Description of the Matter	For the year ended December 31, 2019, the Company recognized $122 million in depletion expense and the Timber and Timberlands balance, net of depletion and amortization, was $2,482 million at December 31, 2019. As described in Note 1 to the financial statements, the Company establishes an annual depletion rate for each particular region. Depletion rates are determined by region by dividing merchantable inventory cost by standing merchantable inventory volume, which is estimated annually. The Company charges accumulated costs attributed to merchantable timber to depletion expense (cost of sales) at the time the timber is harvested or when the underlying timberland is sold. Auditing management's annual depletion rate was complex and subjective due to the estimation uncertainty in determining the standing merchantable inventory volume utilized in the calculation of the depletion rate for each region. In particular, estimating the standing merchantable inventory volume involves statistical sampling and growth modeling using inputs such as growth estimates, harvest information and environmental and operational restrictions.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's process for establishing the annual depletion rate for each geographic region. For example, we tested controls over management's review of the standing merchantable inventory volume that was determined for each geographic region. To test the annual depletion rates (including standing merchantable inventory volume), our audit procedures included, among others, evaluating the methodology used and testing the completeness and accuracy of the underlying data used by the Company. We inspected satellite images to test timber existence and assessed the timberland for features that would impact the Company's ability to harvest its timber. In addition, we evaluated current year changes to harvestability, analyzed the change in depletion as a percentage of sales, utilized published industry growth rates to assess the increase in timber volume growth and compared actual volume harvested to the volume estimated by the Company.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

Jacksonville, Florida
February 24, 2020

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the Years Ended December 31,
(Thousands of dollars, except per share data)

	2019	2018	2017
SALES (NOTE 2)	$711,556	$816,138	$819,596
Costs and Expenses			
Cost of sales	(558,350)	(605,259)	(568,253)
Selling and general expenses	(41,646)	(41,951)	(40,245)
Other operating (expense) income, net (Note 18)	(4,533)	1,140	4,393
	(604,529)	(646,070)	(604,105)
OPERATING INCOME	107,027	170,068	215,491
Interest expense	(31,716)	(32,066)	(34,071)
Interest and other miscellaneous income, net	5,307	4,564	1,840
INCOME BEFORE INCOME TAXES	80,618	142,566	183,260
Income tax expense (Note 10)	(12,940)	(25,236)	(21,681)
NET INCOME	67,678	117,330	161,579
Less: Net income attributable to noncontrolling interest	(8,573)	(15,114)	(12,737)
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	59,105	102,216	148,842
OTHER COMPREHENSIVE (LOSS) INCOME			
Foreign currency translation adjustment, net of income tax effect of $0, $0 and $0	963	(22,759)	9,114
Cash flow hedges, net of income tax effect of $664, $1,270 and $594	(30,482)	5,029	5,693
Actuarial change and amortization of pension and postretirement plan liabilities, net of income tax effect of $0, $711 and $0	(1,350)	(1,630)	(208)
Total other comprehensive (loss) income	(30,869)	(19,360)	14,599
COMPREHENSIVE INCOME	36,809	97,970	176,178
Less: Comprehensive income attributable to noncontrolling interest	(9,146)	(8,931)	(14,775)
COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.	$27,663	$89,039	$161,403
EARNINGS PER COMMON SHARE (NOTE 13)			
Basic earnings per share attributable to Rayonier Inc.	$0.46	$0.79	$1.17
Diluted earnings per share attributable to Rayonier Inc.	$0.46	$0.79	$1.16

See Notes to Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31,
(Thousands of dollars, except share data)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$68,735	$148,374
Accounts receivable, less allowance for doubtful accounts of $24 and $8	27,127	26,151
Inventory (Note 19)	14,518	15,703
Prepaid logging roads	12,128	11,976
Prepaid expenses	2,600	5,040
Other current assets	867	609
Total current assets	125,975	207,853
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	2,482,047	2,401,327
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS (NOTE 7)	81,791	85,609
PROPERTY, PLANT AND EQUIPMENT		
Land	4,131	4,131
Buildings	23,095	22,503
Machinery and equipment	4,339	3,534
Construction in progress	348	567
Total property, plant and equipment, gross	31,913	30,735
Less—accumulated depreciation	(9,662)	(7,984)
Total property, plant and equipment, net	22,251	22,751
RESTRICTED CASH (NOTE 20)	1,233	8,080
RIGHT-OF-USE ASSETS (NOTE 4)	99,942	—
OTHER ASSETS (NOTE 21)	47,757	55,046
TOTAL ASSETS	$2,860,996	$2,780,666
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$18,160	$18,019
Current maturities of long-term debt (Note 6)	82,000	—
Accrued taxes	3,032	3,178
Accrued payroll and benefits	8,869	10,416
Accrued interest	5,205	5,007
Deferred revenue	11,440	10,447
Other current liabilities	22,480	16,474
Total current liabilities	151,186	63,541
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS (NOTE 6)	973,129	972,567
PENSION AND OTHER POSTRETIREMENT BENEFITS (NOTE 16)	25,311	29,800
LONG-TERM LEASE LIABILITY (NOTE 4)	90,481	—
OTHER NON-CURRENT LIABILITIES	83,247	60,208
COMMITMENTS AND CONTINGENCIES (NOTES 9 and 11)		
SHAREHOLDERS' EQUITY		
Common Shares, 480,000,000 shares authorized, 129,331,069 and 129,488,675 shares issued and outstanding	888,177	884,263
Retained earnings	583,006	672,371
Accumulated other comprehensive (loss) income (Note 22)	(31,202)	239
TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY	1,439,981	1,556,873
Noncontrolling interest	97,661	97,677
TOTAL SHAREHOLDERS' EQUITY	1,537,642	1,654,550
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,860,996	$2,780,666

See Notes to Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Thousands of dollars, except share data)

	Common Shares					
	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Shareholders' Equity
Balance, December 31, 2016	122,904,368	$709,867	$700,887	$856	$85,142	$1,496,752
Cumulative-effect adjustment due to adoption of ASU No. 2016-16	—	—	(14,365)	—	—	(14,365)
Net income	—	—	148,842	—	12,737	161,579
Dividends ($1.00 per share)	—	—	(127,986)	—	—	(127,986)
Issuance of shares under incentive stock plans	322,314	4,751	—	—	—	4,751
Stock-based compensation	—	5,396	—	—	—	5,396
Repurchase of common shares	(5,906)	(176)	—	—	—	(176)
Actuarial change and amortization of pension and postretirement plan liabilities	—	—	—	(208)	—	(208)
Foreign currency translation adjustment	—	—	—	7,416	1,698	9,114
Cash flow hedges	—	—	—	5,353	340	5,693
Issuance of shares under equity offering, net of costs	5,750,000	152,390	—	—	—	152,390
Balance, December 31, 2017	128,970,776	$872,228	$707,378	$13,417	$99,917	$1,692,940
Cumulative-effect adjustment due to adoption of ASU No. 2018-02	—	—	711	(711)	—	—
Net income	—	—	102,216	—	15,114	117,330
Dividends ($1.06 per share)	—	—	(137,934)	—	—	(137,934)
Issuance of shares under incentive stock plans	599,422	8,591	—	—	—	8,591
Stock-based compensation	—	6,428	—	—	—	6,428
Repurchase of common shares	(81,523)	(2,984)	—	—	—	(2,984)
Actuarial change and amortization of pension and postretirement plan liabilities	—	—	—	(919)	—	(919)
Foreign currency translation adjustment	—	—	—	(17,329)	(5,430)	(22,759)
Cash flow hedges	—	—	—	5,781	(752)	5,029
Distribution to minority shareholder	—	—	—	—	(11,172)	(11,172)
Balance, December 31, 2018	129,488,675	$884,263	$672,371	$239	$97,677	$1,654,550
Net income	—	—	59,105	—	8,573	67,678
Dividends ($1.08 per share)	—	—	(140,040)	—	—	(140,040)
Issuance of shares under incentive stock plans	298,003	1,260	—	—	—	1,260
Stock-based compensation	—	6,904	—	—	—	6,904
Repurchase of common shares	(455,609)	(4,250)	(8,430)	—	—	(12,680)
Actuarial change and amortization of pension and postretirement plan liabilities	—	—	—	(1,350)	—	(1,350)
Foreign currency translation adjustment	—	—	—	784	179	963
Cash flow hedges	—	—	—	(30,875)	393	(30,482)
Distribution to minority shareholder	—	—	—	—	(9,161)	(9,161)
Balance, December 31, 2019	129,331,069	$888,177	$583,006	($31,202)	$97,661	$1,537,642

See Notes to Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31,
(Thousands of dollars)

	2019	2018	2017
OPERATING ACTIVITIES			
Net income	$67,678	$117,330	$161,579
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation, depletion and amortization	128,235	144,121	127,566
Non-cash cost of land and improved development	12,565	23,553	13,684
Stock-based incentive compensation expense	6,904	6,428	5,396
Deferred income taxes	11,314	22,832	21,980
Amortization of losses from pension and postretirement plans	449	675	465
Gain on sale of large disposition of timberlands	—	—	(66,994)
Other	(4,999)	(2,613)	(716)
Changes in operating assets and liabilities:			
Receivables	(849)	765	(6,362)
Inventories	1,224	1,773	(1,384)
Accounts payable	(1,554)	(4,626)	3,435
Income tax receivable/payable	—	—	(434)
All other operating activities	(6,714)	(142)	(1,931)
CASH PROVIDED BY OPERATING ACTIVITIES	214,253	310,096	256,284
INVESTING ACTIVITIES			
Capital expenditures	(63,996)	(62,325)	(65,345)
Real estate development investments	(6,803)	(9,501)	(15,784)
Purchase of timberlands	(142,287)	(57,608)	(242,910)
Net proceeds from large disposition of timberlands	—	—	95,243
Rayonier office building under construction	—	—	(6,084)
Other	(6,304)	(3,421)	(373)
CASH USED FOR INVESTING ACTIVITIES	(219,390)	(132,855)	(235,253)
FINANCING ACTIVITIES			
Issuance of debt	82,000	1,014	63,389
Repayment of debt	—	(54,416)	(100,157)
Dividends paid	(141,071)	(136,772)	(127,069)
Proceeds from the issuance of common shares under incentive stock plan	1,260	8,591	4,751
Proceeds from the issuance of common shares from equity offering, net of costs	—	—	152,390
Repurchase of common shares to pay withholding taxes on vested incentive stock awards	(4,250)	(2,984)	(176)
Repurchase of common shares under repurchase program	(8,430)	—	—
Proceeds from shareholder distribution hedge	135	2,025	—
Distribution to minority shareholder	(9,161)	(11,172)	—
Debt issuance costs	(132)	—	—
CASH USED FOR FINANCING ACTIVITIES	(79,649)	(193,714)	(6,872)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1,700)	571	580
CASH, CASH EQUIVALENTS AND RESTRICTED CASH (a)			
Change in cash, cash equivalents and restricted cash	(86,486)	(15,902)	14,739
Balance, beginning of year	156,454	172,356	157,617
Balance, end of year	$69,968	$156,454	$172,356

See Notes to Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended December 31,
(Thousands of dollars)

	2019	2018	2017
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year:			
Interest (a)	$32,782	$33,120	$36,041
Income taxes	1,691	2,150	514
Non-cash investing activity:			
Capital assets purchased on account	3,568	2,001	3,809

(a) Interest paid is presented net of patronage payments received of $4.0 million, $4.1 million and $3.0 million for the years ended December 31, 2019, 2018 and 2017, respectively. For additional information on patronage payments, see Note 6 — Debt.

See Notes to Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These statements include the accounts of Rayonier Inc. and its subsidiaries, in which it has a majority ownership or controlling interest. As of March 2016, the Company maintains a 77% ownership interest in the New Zealand subsidiary, and, as such, consolidates its results of operations and Balance Sheet. The Company records a noncontrolling interest in its consolidated financial statements representing the minority ownership interest (23%) of the New Zealand subsidiary's results of operations and equity. All intercompany balances and transactions are eliminated.

RECLASSIFICATIONS

During 2019, management reclassified Real Estate segment sales related to marketing fees and deferred revenue adjustments from Improved Development to Other. All prior period amounts previously reported have been reclassified. See Note 5 - Segment and Geographic Information.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. There are risks inherent in estimating and therefore actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and other highly liquid investments with original maturities of three months or less.

ACCOUNTS RECEIVABLE

Accounts receivable are primarily amounts due to the Company for the sale of timber and are presented net of an allowance for doubtful accounts.

INVENTORY

HBU real estate properties that are expected to be sold within one year are included in inventory at the lower of cost or net realizable value. HBU properties that are expected to be sold after one year are included in a separate balance sheet line entitled "Higher and Better Use Timberlands and Real Estate Development Investments." See below for additional information.

Inventory also includes logs available to be sold by the Trading segment. Log inventory is recorded at the lower of cost or net realizable value and expensed to cost of sales when sold to third-party buyers. See Note 19 — Inventory for additional information.

PREPAID LOGGING ROADS

Costs for roads built in the Pacific Northwest and New Zealand to access particular tracts to be harvested in the upcoming 24 months to 60 months are recorded as prepaid logging roads. The Company charges such costs to expense as timber is harvested using an amortization rate determined annually as the total cost of prepaid roads divided by the estimated tons of timber to be accessed by those roads. The prepaid balance is classified as short-term or long-term based on the upcoming harvest schedule. See Note 21 — Other Assets for additional information.

DEFERRED FINANCING COSTS

Deferred financing costs related to revolving debt are capitalized and amortized to interest expense over the term of the revolving debt using a method that approximates the effective interest method. See Note 21 — Other Assets for additional information on deferred financing costs related to revolving debt. See Note 6 — Debt for additional information on deferred financing costs related to term debt.

CAPITALIZED SOFTWARE COSTS

Software costs are capitalized and amortized over a period not exceeding five years using the straight-line method.

TIMBER AND TIMBERLANDS

Timber is stated at the lower of cost or net realizable value. Costs relating to acquiring, planting and growing timber including real estate taxes, site preparation and direct support costs relating to facilities, vehicles and supplies, are capitalized. A portion of timberland lease payments are capitalized based on the proportion of acres with merchantable timber volume remaining to be harvested under the lease term and the residual portion of the lease payments are expensed as incurred. Payroll costs are capitalized for time spent on timber growing activities, while interest or any other intangible costs are not capitalized. An annual depletion rate is established for each particular region by dividing merchantable inventory cost by standing merchantable inventory volume, which is estimated annually. The Company charges accumulated costs attributed to merchantable timber to depletion expense (cost of sales) at the time the timber is harvested or when the underlying timberland is sold.

Upon the acquisition of timberland, the Company makes a determination on whether to combine the newly acquired merchantable timber with an existing depletion pool or to create a new, separate pool. This determination is based on the geographic location of the new timber, the customers/markets that will be served and the species mix. If the acquisition is similar, the cost of the acquired timber is combined into an existing depletion pool and a new depletion rate is calculated for the pool. This determination and depletion rate adjustment normally occurs in the quarter following the acquisition.

HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS

HBU timberland is recorded at the lower of cost or net realizable value. These properties are managed as timberlands until sold or developed, with sales and depletion expense related to the harvesting of timber accounted for within the respective timber segment. At the time of sale, the cost basis of any unharvested timber is recorded as depletion expense, a component of cost of sales, within the Real Estate segment.

Real estate development investments include capitalized costs for targeted infrastructure improvements, such as roadways and utilities. HBU timberland and real estate development investments expected to be sold within twelve months are recorded as inventory. See Note 7 — Higher and Better Use Timberlands and Real Estate Development Investments for additional information.

PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION

Property, plant and equipment additions are recorded at cost, including applicable freight, interest, construction and installation costs. The Company generally depreciates its assets, including office and transportation equipment, using the straight-line depreciation method over 3 to 25 years. Buildings and land improvements are depreciated using the straight-line method over 15 to 35 years and 5 to 30 years, respectively.

Gains and losses on the sale or retirement of assets are included in operating income. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets that are held and used is measured by net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is the amount the carrying value exceeds the fair value of the assets, which is based on a discounted cash flow model. Assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

LEASES

At inception, the Company determines if an arrangement is a lease and whether that lease meets the classification criteria of a finance or operating lease. Operating leases are included in right-of-use ("ROU") assets, other current liabilities, and long-term lease liability in the Consolidated Balance Sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company generally uses its incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

RIGHT-OF-USE ASSETS IMPAIRMENT

Operating lease right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group to which the operating lease is assigned may not be recoverable. Recoverability of the asset group is evaluated based on forecasted undiscounted cash flows. If the carrying amount of the asset group is not recoverable, the fair value of the asset group is compared to its carrying amount and an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value. A discounted cash flow approach using market participant assumptions of the expected cash flows and discount rate are used to estimate the fair value of the asset group.

INVESTMENTS

Investments at December 31, 2019 consisted of marketable equity securities. Investments are carried at fair value based on quoted prices in their active market with both the realized and unrealized gains and losses as well as interest and dividends reported in "Interest and other miscellaneous income, net."

FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy that prioritizes the inputs used to measure fair value was established as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

GOODWILL

Goodwill represents the excess of the acquisition cost of the New Zealand Timber segment over the fair value of the net assets acquired. Goodwill is not amortized, but is periodically reviewed for impairment. An impairment test for this reporting unit's goodwill is performed annually and whenever events or circumstances indicate that the value of goodwill may be impaired. The Company compares the fair value of the New Zealand Timber segment, using an independent valuation for the New Zealand forest assets, to its carrying value including goodwill. The independent valuation of the New Zealand forest assets is based on discounted cash flow models where the fair value is calculated using cash flows from sustainable forest management plans. The fair value of the forest assets is measured as the present value of cash flows from one growth cycle based on the productive forest land, taking into consideration environmental, operational, and market restrictions. These cash flow valuations involve a number of estimates that require broad assumptions and significant judgment regarding future performance. The annual impairment test was performed as of October 1, 2019; the estimated fair value of the New Zealand Timber segment exceeded its carrying value and no impairment was recorded. Except for changes in the New Zealand foreign exchange rate, there have been no adjustments to the carrying value of goodwill since the initial recognition. Note 21 — Other Assets for additional information.

FOREIGN CURRENCY TRANSLATION AND REMEASUREMENT

The functional currency of the Company's New Zealand-based operations is the New Zealand dollar. All assets and liabilities are translated into U.S. dollars at the exchange rate in effect at the respective balance sheet dates. Translation gains and losses are recorded as a separate component of Accumulated Other Comprehensive Income ("AOCI"), within Shareholders' Equity.

U.S. denominated transactions of the New Zealand subsidiary are remeasured into New Zealand dollars at the exchange rate in effect on the date of the transaction and recognized in earnings, net of related cash flow hedges. All income statement items of the New Zealand subsidiary are translated into U.S. dollars for reporting purposes using monthly average exchange rates with translation gains and losses being recorded as a separate component of AOCI, within Shareholders' Equity.

REVENUE RECOGNITION

The Company recognizes revenues when control of promised goods or services ("performance obligations") is transferred to customers, in an amount that reflects the consideration expected in exchange for those goods or services ("transaction price"). The Company generally satisfies performance obligations within a year of entering into a contract and therefore has applied the disclosure exemption found under ASC 606-10-50-14. Unsatisfied performance obligations as of December 31, 2019 are primarily due to advances on stumpage contracts and unearned hunt license revenue. These performance obligations are expected to be satisfied within the next twelve months. The Company generally collects payment within a year of satisfying performance obligations and therefore has elected not to adjust revenues for a financing component.

TIMBER SALES

Revenue from the sale of timber is recognized when control passes to the buyer. The Company utilizes two primary methods or sales channels for the sale of timber – a stumpage/standing timber model and a delivered log model. The sales method the Company employs depends upon local market conditions and which method management believes will provide the best overall margins.

Under the stumpage model, standing timber is sold primarily under pay-as-cut contracts, with a specified duration (typically one year or less) and fixed prices, whereby revenue is recognized as timber is severed and the sales volume is determined. The Company also sells stumpage under lump-sum contracts for specified parcels where the Company receives cash for the full agreed value of the timber prior to harvest and control passes to the buyer upon signing the contract. The Company retains interest in the land, slash products and the use of the land for recreational and other purposes. Any uncut timber remaining at the end of the contract period reverts to the Company. Revenue is recognized for lump-sum timber sales when payment is received, the contract is signed and control passes to the buyer. A third type of stumpage sale the Company utilizes is an agreed-volume sale, whereby revenue is recognized using the output method, as periodic physical observations are made of the percentage of acreage harvested.

Under the delivered log model, the Company hires third-party loggers and haulers to harvest timber and deliver it to a buyer. Sales of domestic logs generally do not require an initial payment and are made to third-party customers on open credit terms. Sales of export logs generally require a letter of credit from an approved bank. Revenue is recognized when the logs are delivered and control has passed to the buyer. For domestic log sales, control is considered passed to the buyer as the logs are delivered to the customer's facility. For export log sales (primarily in New Zealand), control is considered passed to the buyer upon delivery onto the export vessel.

The following table summarizes revenue recognition and general payment terms for timber sales:

Contract Type	Performance Obligation	Timing of Revenue Recognition	General Payment Terms
Stumpage Pay-as-Cut	Right to harvest a unit (i.e. ton, MBF, JAS m3) of standing timber	As timber is severed (point-in-time)	Initial payment between 5% and 20% of estimated contract value; collection generally within 10 days of severance
Stumpage Lump Sum	Right to harvest an agreed upon acreage of standing timber	Contract execution (point-in-time)	Full payment due upon contract execution
Stumpage Agreed Volume	Right to harvest an agreed upon volume of standing timber	As timber is severed (over-time)	Payments made throughout contract term at the earlier of a specified harvest percentage or time elapsed
Delivered Wood (Domestic)	Delivery of a unit (i.e. ton, MBF, JAS m3) of timber to customer's facility	Upon delivery to customer's facility (point-in-time)	No initial payment and on open credit terms; collection generally within 30 days of invoice
Delivered Wood (Export)	Delivery of a unit (i.e. ton, MBF, JAS m3) onto export vessel	Upon delivery onto export vessel (point-in-time)	Letter of credit from an approved bank; collection generally within 30 days of delivery

NON-TIMBER SALES

Non-timber sales are primarily comprised of hunting and recreational licenses. Such sales and any related costs are recognized ratably over the term of the agreement and included in "Sales" and "Cost of sales", respectively. Payment is generally due upon contract execution.

LOG TRADING

Log trading revenue is generally recognized when procured logs are delivered to the buyer and control has passed. For domestic log trading, control is considered passed to the buyer as the logs are delivered to the customer's facility. For export log trading, control is considered passed to the buyer upon delivery onto the export vessel. The Trading segment also includes sales from log agency contracts, whereby the Company acts as an agent managing export services on behalf of third parties. Revenue for log agency fees are recognized net of related costs.

REAL ESTATE

The Company recognizes revenue on sales of real estate generally at the point in time when cash has been received, the sale has closed and control has passed to the buyer. A deposit of 5% is generally required at the time a purchase and sale agreement is executed, with the balance due at closing. On sales of real estate containing future performance obligations, revenue is recognized using the input method based on costs incurred to date relative to the total costs expected to fulfill the performance obligations in the contract with the customer.

COST OF SALES

Cost of sales associated with timber operations primarily include the cost basis of timber sold (depletion) and logging and transportation costs (cut and haul). Depletion includes the amortization of capitalized costs (site preparation, planting and fertilization, real estate taxes, timberland lease payments and certain payroll costs). Other costs include amortization of capitalized costs related to road and bridge construction and software, depreciation of fixed assets and equipment, road maintenance, severance and excise taxes and fire prevention.

Cost of sales associated with real estate sold includes the cost of the land, the cost of any timber on the property that was conveyed to the buyer, any real estate development costs and any closing costs including sales commissions that may be borne by the Company. The Company expenses closing costs, including sales commissions, when incurred for all real estate sales with future performance obligations expected to be satisfied within one year.

When developed residential or commercial land is sold, the cost of sales includes actual costs incurred and estimates of future development costs benefiting the property sold through completion. Costs are allocated to each sold unit or lot based upon the relative sales value. For purposes of allocating development costs, estimates of future revenues and development costs are re-evaluated periodically throughout the year, with adjustments being allocated prospectively to the remaining units available for sale.

EMPLOYEE BENEFIT PLANS

The determination of expense and funding requirements for Rayonier's defined benefit pension plan, its unfunded excess pension plan and its postretirement life insurance plan are largely based on a number of actuarial assumptions. The key assumptions include discount rate, return on assets, salary increases, mortality rates and longevity of employees. See Note 16 — Employee Benefit Plans for assumptions used to determine benefit obligations, and the net periodic benefit cost for the year ended December 31, 2019.

Periodic pension and other postretirement expense is included in "Cost of sales," "Selling and general expenses" and "Interest and other miscellaneous income, net" in the Consolidated Statements of Income and Comprehensive Income. The service cost component of net periodic benefit cost is included in "Cost of sales" and "Selling and general expenses" while the other components of net periodic benefit cost (interest cost, expected return on plan assets and amortization of losses or gains) are presented outside of income from operations in "Interest and other miscellaneous income, net." At December 31, 2019 and 2018, the Company's pension plans were in a net liability position (underfunded) of $23.8 million and $28.6 million, respectively. The estimated amount to be paid in the next 12 months is recorded in "Accrued payroll and benefits" on the Consolidated Balance Sheets, with the remainder recorded as a long-term liability in "Pension and Other Postretirement Benefits." Changes in the funded status of the Company's plans are recorded through other comprehensive (loss) income in the year in which the changes occur. The Company measures plan assets and benefit obligations as of the fiscal year-end. See Note 16 — Employee Benefit Plans for additional information.

INCOME TAXES

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, operating loss carryforwards and tax credit carryforwards. Deferred tax assets and liabilities are measured pursuant to tax laws using rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The Company recognizes the effect of a change in income tax rates on deferred tax assets and liabilities in the Consolidated Statements of Income and Comprehensive Income in the period that includes the enactment date of the rate change. The Company records a valuation allowance to reduce the carrying amounts of deferred tax assets if it is more-likely-than-not that such deferred tax assets will not be realized.

In determining the provision for income taxes, the Company computes an annual effective income tax rate based on annual income by legal entity, permanent differences between book and tax, and statutory income tax rates by jurisdiction. Inherent in the effective tax rate is an assessment of the ultimate outcome of current period uncertain tax positions. The Company adjusts its annual effective tax rate as additional information on outcomes or events becomes available. Discrete items such as taxing authority examination findings or legislative changes are recognized in the period in which they occur.

The Company's income tax returns are subject to audit by U.S. federal, state and foreign taxing authorities. In evaluating the tax benefits associated with various tax filing positions, the Company records a tax benefit for an uncertain tax position if it is more-likely-than-not to be realized upon ultimate settlement of the issue. The Company records a liability for an uncertain tax position that does not meet this criterion. The Company adjusts its liabilities for uncertain tax benefits in the period in which it is determined the issue is settled with the taxing authorities, the statute of limitations expires for the relevant taxing authority to examine the tax position or when new facts or information become available. See Note 10 — Income Taxes for additional information.

(Dollar amounts in thousands unless otherwise stated)

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

The Company adopted Accounting Standards Update (“ASU”) No. 2016-02, Leases (Topic 842), on January 1, 2019 and elected to apply the standard as of that day.

The Company applied the following practical expedients in the transition to the new standard as allowed under ASC 842-10-65-1:

Practical Expedient	Description
Reassessment of expired or existing contracts	The Company elected not to reassess, at the application date, whether any expired or existing contracts contained leases, the lease classification for any expired or existing leases, and the accounting for initial direct costs for any existing leases.
Use of hindsight	The Company elected to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of right-of-use assets.
Reassessment of existing or expired land easements	The Company elected not to evaluate existing or expired land easements that were not previously accounted for as leases under ASC 840, as allowed under the transition practical expedient. Going forward, new or modified land easements will be evaluated under ASU No. 2016-02.

The Company adopted ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* in the first quarter ended March 31, 2019 with no material impact on the consolidated financial statements.

The Company adopted ASU No. 2018-07, Compensation-Stock Compensation (Topic 718): *Improvements to Non-employee Share-Based Payment Accounting* in the first quarter ended March 31, 2019 with no impact on the consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326),* which requires companies to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate the lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model applies to all financial assets, including trade receivables. ASU No. 2016-13 is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. The Company does not expect a material impact on the Company’s Consolidated Financial Statements.

SUBSEQUENT EVENTS

Pope Resources Acquisition

On January 15, 2020, the Company entered into a definitive merger agreement under which Rayonier will acquire all of the outstanding limited partnership units of Pope Resources, A Delaware Limited Partnership for consideration consisting of equity and cash. Pursuant to the terms of the agreement, elections of cash versus equity will be subject to proration to ensure that the ratio of cash and equity would be equal to the amounts issued as if every Pope Resources unit received 2.751 Rayonier common shares or Rayonier operating partnership units and $37.50 in cash. The merger agreement also provides for Rayonier to acquire the general partner entities of Pope Resources, Pope MGP, Inc. and Pope EGP, Inc., for consideration consisting of $10 million of cash. This transaction is expected to close in mid-2020.

(Dollar amounts in thousands unless otherwise stated)

2. REVENUE

Adoption of ASC 606

The Company adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, on January 1, 2018. The Company elected to apply the modified retrospective method to contracts that were not completed at the date of adoption. The Company also elected not to retrospectively restate contracts modified prior to January 1, 2018. A cumulative effect of adoption adjustment to the opening balance of retained earnings was not recorded as there was no accounting impact to any contracts with customers not completed at the date of adoption.

Contract Balances

The timing of revenue recognition, invoicing and cash collections results in accounts receivable and deferred revenue (contract liabilities) on the Consolidated Balance Sheets. Accounts receivable are recorded when the Company has an unconditional right to consideration for completed performance under the contract. Contract liabilities relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) the Company performs under the contract.

The following table summarizes revenue recognized during the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of each year:

	Year Ended December 31,	
	2019	2018
Revenue recognized from contract liability balance at the beginning of the year (a)	$10,039	$9,004

(a) Revenue recognized was primarily from hunting licenses and the use of advances on pay-as-cut timber sales.

(Dollar amounts in thousands unless otherwise stated)

The following tables present our revenue from contracts with customers disaggregated by product type for the years ended December 31, 2019, 2018 and 2017:

Year Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Real Estate	Trading	Elim.	Total
December 31, 2019							
Pulpwood	$86,537	$10,350	$32,925	—	$13,351	—	$143,163
Sawtimber	67,360	72,377	198,481	—	101,255	—	439,473
Hardwood	5,259	—	—	—	—	—	5,259
Total Timber Sales	159,156	82,727	231,406	—	114,606	—	587,895
License Revenue, Primarily From Hunting	18,270	717	361	—	—	—	19,348
Other Non-Timber/Carbon Revenue	16,685	1,970	10,094	—	—	—	28,749
Agency Fee Income	—	—	—	—	677	—	677
Total Non-Timber Sales	34,955	2,687	10,455	—	677	—	48,774
Improved Development	—	—	—	5,882	—	—	5,882
Unimproved Development	—	—	—	19,476	—	—	19,476
Rural	—	—	—	29,852	—	—	29,852
Timberlands & Non-Strategic	—	—	—	19,133	—	—	19,133
Other	—	—	—	544	—	—	544
Total Real Estate Sales	—	—	—	74,887	—	—	74,887
Revenue from Contracts with Customers	194,111	85,414	241,861	74,887	115,283	—	711,556
Intersegment	—	—	—	—	155	(155)	—
Total Revenue	$194,111	$85,414	$241,861	$74,887	$115,438	($155)	$711,556
December 31, 2018							
Pulpwood	$80,134	$14,305	$28,737	—	$13,771	—	$136,947
Sawtimber	60,295	92,166	213,206	—	134,299	—	499,966
Hardwood	3,433	—	—	—	—	—	3,433
Total Timber Sales	143,863	106,471	241,943	—	148,070	—	640,347
License Revenue, Primarily from Hunting	16,285	709	401	—	—	—	17,395
Other Non-Timber/Carbon Revenue	9,847	2,652	6,670	—	—	—	19,169
Agency Fee Income	—	—	—	—	652	—	652
Total Non-Timber Sales	26,132	3,361	7,071	—	652	—	37,216
Improved Development	—	—	—	8,336	—	—	8,336
Unimproved Development	—	—	—	8,621	—	—	8,621
Rural	—	—	—	22,689	—	—	22,689
Timberlands & Non-Strategic	—	—	—	98,872	—	—	98,872
Other	—	—		57	—	—	57
Total Real Estate Sales	—	—	—	138,575	—	—	138,575
Revenue from Contracts with Customers	169,995	109,832	249,014	138,575	148,722	—	816,138
Intersegment	—	—	—	—	92	(92)	—
Total Revenue	$169,995	$109,832	$249,014	$138,575	$148,814	($92)	$816,138
December 31, 2017							
Pulpwood	$67,836	$11,242	$24,934	—	$13,352	—	$117,364
Sawtimber	50,891	77,477	197,521	—	137,854	—	463,743
Hardwood	3,912	—	—	—	—	—	3,912
Total Timber Sales	122,639	88,719	222,455	—	151,206	—	585,019
License Revenue, Primarily from Hunting	16,004	646	227	—	—	—	16,877
Other Non-Timber/Carbon Revenue	5,867	2,512	617	—	—	—	8,996
Agency Fee Income	—	—	—	—	1,378	—	1,378
Total Non-Timber Sales	21,871	3,158	844	—	1,378	—	27,251
Improved Development	—	—	—	6,889	—	—	6,889
Unimproved Development	—	—	—	16,405	—	—	16,405
Rural	—	—	—	18,632	—	—	18,632
Timberlands & Non-Strategic	—	—	—	70,590	—	—	70,590
Large Dispositions	—	—	—	95,351	—	—	95,351
Other	—	—	—	(541)	—	—	(541)
Total Real Estate Sales	—	—	—	207,326	—	—	207,326
Revenue from Contracts with Customers	144,510	91,877	223,299	207,326	152,584	—	819,596
Total Revenue	$144,510	$91,877	$223,299	$207,326	$152,584	—	$819,596

(Dollar amounts in thousands unless otherwise stated)

The following tables present our timber sales disaggregated by contract type for the years ended December 31, 2019, 2018 and 2017:

Year Ended	Southern Timber	Pacific Northwest Timber	New Zealand Timber	Trading	Total
December 31, 2019					
Stumpage Pay-as-Cut	$71,943	—	—	—	$71,943
Stumpage Lump Sum	7,428	2,749	—	—	10,177
Total Stumpage	79,371	2,749	—	—	82,120
Delivered Wood (Domestic)	71,054	79,978	80,974	5,488	237,494
Delivered Wood (Export)	8,731	—	150,432	109,118	268,281
Total Delivered	79,785	79,978	231,406	114,606	505,775
Total Timber Sales	$159,156	$82,727	$231,406	$114,606	$587,895
December 31, 2018					
Stumpage Pay-as-Cut	$72,385	—	—	—	$72,385
Stumpage Lump Sum	4,988	11,854	—	—	16,842
Total Stumpage	77,373	11,854	—	—	89,227
Delivered Wood (Domestic)	60,931	94,617	90,631	6,141	252,320
Delivered Wood (Export)	5,559	—	151,312	141,929	298,800
Total Delivered	66,490	94,617	241,943	148,070	551,120
Total Timber Sales	$143,863	$106,471	$241,943	$148,070	$640,347
December 31, 2017					
Stumpage Pay-as-Cut	$71,120	—	—	—	$71,120
Stumpage Lump Sum	9,093	10,628	—	—	19,721
Stumpage Agreed Volume	—	1,234	—	—	1,234
Total Stumpage	80,213	11,862	—	—	92,075
Delivered Wood (Domestic)	42,426	76,857	84,221	6,044	209,548
Delivered Wood (Export)	—	—	138,234	145,162	283,396
Total Delivered	42,426	76,857	222,455	151,206	492,944
Total Timber Sales	$122,639	$88,719	$222,455	$151,206	$585,019

3. TIMBERLAND ACQUISITIONS

In 2019, the Company acquired approximately 62,000 acres of U.S. timberland located in Florida, Georgia, Texas, and Washington through sixteen transactions for an aggregate value of $106.3 million. Approximately $29.8 million of these acquisitions were acquired using like-kind exchange proceeds while the remaining $76.5 million were funded from operating cash flow and the use of the Company's revolving credit facility. Additionally, during 2019, the Company acquired approximately 9,000 acres of timberland (including approximately 2,000 acres of leased land) in New Zealand for approximately $36.0 million. These acquisitions were funded from operating cash flow.

In 2018, the Company acquired approximately 26,000 acres of U.S. timberland in Florida, Georgia and Texas for $45.9 million of like-kind exchange proceeds. Additionally, in two transactions during 2018, the Company acquired forestry rights covering approximately 4,000 acres of timberland in New Zealand for approximately $11.7 million. These acquisitions were funded from operating cash flow and use of the New Zealand subsidiary's working capital facility.

See Note 6 - Debt for additional information on the Company's revolving credit facility and the New Zealand subsidiary's working capital facility.

(Dollar amounts in thousands unless otherwise stated)

The following table summarizes the timberland acquisitions for the years ended December 31, 2019 and 2018:

	2019		2018	
	Cost	Acres	Cost	Acres
Florida	$71,183	42,522	$35,560	20,513
Georgia	13,395	10,271	2,532	2,232
Texas	14,349	6,643	7,851	3,279
Washington	7,340	2,260	—	—
New Zealand	36,020	9,223	11,665	3,833
Total Acquisitions	$142,287	70,919	$57,608	29,857

4. LEASES

ADOPTION OF ASC 842

For more information on the adoption of ASC 842, including required transition disclosures, see Note 1 - Summary of Significant Accounting Policies.

TIMBERLAND LEASES

U.S. timberland leases typically have initial terms of approximately 30 to 65 years, with renewal provisions in some cases. New Zealand timberland lease terms typically range between 30 and 99 years. New Zealand lease arrangements generally consist of Crown Forest Licenses (“CFLs”), forestry rights and land leases. A CFL is a license arrangement to use government or privately owned lands to operate a commercial forest. CFLs generally extend indefinitely and may only be terminated upon a 35-year termination notice. If no termination notice is given, the CFLs renew automatically each year for a one-year term. Alternatively, some CFLs extend for a specific term. Once a CFL is terminated, the Company may be able to obtain a forestry right from the subsequent owner. A forestry right is a license arrangement with a private entity to use their lands to operate a commercial forest. Forestry rights terminate either upon the issuance of a termination notice (which can last 35 to 45 years), completion of harvest, or a specified termination date.

As of December 31, 2019, the New Zealand subsidiary has two CFLs comprising 9,000 acres under termination notice that are being relinquished as harvest activities are concluded, as well as two fixed-term CFLs comprising 3,000 acres expiring in 2062. Additionally, the New Zealand subsidiary has two forestry rights comprising 32,000 acres under termination notice that are being relinquished as harvest activities are concluded in 2026 and 2030.

OTHER NON-TIMBERLAND LEASES

In addition to timberland holdings, the Company leases properties for certain office locations. Significant leased properties include a regional office in Lufkin, Texas; a Pacific Northwest Timber office in Hoquiam, Washington and a New Zealand Timber and Trading headquarters in Auckland, New Zealand.

LEASE MATURITIES, LEASE COST AND OTHER LEASE INFORMATION

The following table details the Company’s undiscounted lease obligations as of December 31, 2019 by type of lease and year of expiration:

		Year of Expiration					
Lease obligations	Total	2020	2021	2022	2023	2024	Thereafter
Operating lease liabilities	$193,320	$10,028	$9,293	$8,413	$8,355	$8,281	$148,950
Total Undiscounted Cash Flows	$193,320	$10,028	$9,293	$8,413	$8,355	$8,281	$148,950
Imputed interest	(92,796)						
Balance at December 31, 2019	100,524						
Less: Current portion	(10,043)						
Non-current portion at December 31, 2019	$90,481						

(Dollar amounts in thousands unless otherwise stated)

The following table details components of the Company's lease cost for year ended December 31, 2019:

Lease Cost Components	Year Ended December 31, 2019
Operating lease cost	$10,870
Variable lease cost (a)	235
Total lease cost (b)	$11,105

(a) The majority of timberland leases are subject to increases or decreases based on either the Consumer Price Index, Producer Price Index or market rates.
(b) Short-term leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for these leases are expensed on a straight line basis over the lease term. Short-term lease expense was not material for the year ended December 31, 2019.

The following table details components of the Company's lease cost for the year ended December 31, 2019:

Supplemental cash flow information related to leases:	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$2,567
Investing cash flows from operating leases	8,303
Total cash flows from operating leases	$10,870
Weighted-average remaining lease term in years - operating leases	28
Weighted-average discount rate - operating leases	5%

The Company applied the following practical expedients upon adoption of the new standard as allowed under ASC 842:

Practical Expedient	Description
Short-term leases	The Company does not record right-of-use assets or liabilities for short-term leases (a lease that at commencement date has a lease term of 12 months or less and does not contain a purchase option that is reasonably certain to be exercised).
Separation of lease and non-lease components	The Company does not separate non-lease components from the associated lease components if they have the same timing and pattern of transfer and, if accounted for separately, would both be classified as an operating lease.

5. SEGMENT AND GEOGRAPHICAL INFORMATION

Rayonier operates in five reportable segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Real Estate and Trading.

See Note 1 - Summary of Significant Accounting Policies for a discussion of the current year reclassification of Real Estate segment sales related to marketing fees and deferred revenue adjustments from Improved Development to Other.

Sales between operating segments are made based on estimated fair market value, and intercompany sales, purchases and profits (losses) are eliminated in consolidation. The Company evaluates financial performance based on segment operating income (loss) and Adjusted EBITDA. Asset information is not reported by segment, as the company does not produce asset information by segment internally.

(Dollar amounts in thousands unless otherwise stated)

Operating income as presented in the Consolidated Statements of Income and Comprehensive Income is equal to segment income. Certain income (loss) items in the Consolidated Statements of Income and Comprehensive Income are not allocated to segments. These items, which include interest income (expense), miscellaneous income (expense) and income tax expense, are not considered by management to be part of segment operations and are included under "Corporate and other."

Segment information for each of the three years ended December 31, 2019 follows:

	Sales by Product Line		
	2019	2018	2017
Southern Timber	$194,111	$169,995	$144,510
Pacific Northwest Timber	85,414	109,832	91,877
New Zealand Timber	241,861	249,014	223,299
Real Estate			
Improved Development	5,882	8,336	6,889
Unimproved Development	19,476	8,621	16,405
Rural	29,852	22,689	18,632
Timberlands & Non-Strategic	19,133	98,872	70,590
Large Dispositions	—	—	95,351
Other (a)	544	57	(541)
Total Real Estate	74,887	138,575	207,326
Trading	115,438	148,814	152,584
Intersegment eliminations	(155)	(92)	—
Total Sales	$711,556	$816,138	$819,596

(a) Includes marketing fees and deferred revenue adjustments related to Improved Development sales.

	Operating Income (Loss)		
	2019	2018	2017
Southern Timber	$57,804	$44,245	$42,254
Pacific Northwest Timber	(12,427)	8,137	1,127
New Zealand Timber	48,035	62,754	57,567
Real Estate (a)	38,665	76,240	130,856
Trading	8	953	4,578
Corporate and other	(25,058)	(22,261)	(20,891)
Total Operating Income	107,027	170,068	215,491
Unallocated interest expense and other	(26,409)	(27,502)	(32,231)
Total Income before Income Taxes	$80,618	$142,566	$183,260

(a) The year 2017 includes Large Dispositions of $67.0 million.

(Dollar amounts in thousands unless otherwise stated)

	Gross Capital Expenditures		
	2019	2018	2017
Capital Expenditures (a)			
Southern Timber	$34,574	$35,388	$34,476
Pacific Northwest Timber	11,220	9,311	10,254
New Zealand Timber	17,357	17,318	17,046
Real Estate	204	284	1,348
Corporate and other	641	24	2,221
Total capital expenditures	$63,996	$62,325	$65,345
Timberland Acquisitions			
Southern Timber	$98,927	$45,943	$220,051
Pacific Northwest Timber	7,340	—	1,483
New Zealand Timber	36,020	11,665	21,376
Total timberland acquisitions	$142,287	$57,608	$242,910
Total Gross Capital Expenditures	$206,283	$119,933	$308,255

(a) Excludes timberland acquisitions presented separately in addition to spending on the Rayonier office building of $6.1 million in 2017 and real estate development investments of $6.8 million, $9.5 million and $15.8 million in the years 2019, 2018 and 2017, respectively.

	Depreciation, Depletion and Amortization		
	2019	2018	2017
Southern Timber	$61,923	$58,609	$49,357
Pacific Northwest Timber	29,165	32,779	32,008
New Zealand Timber	27,761	28,007	27,499
Real Estate (a)	8,229	23,566	36,343
Corporate and other	1,157	1,160	794
Total	$128,235	$144,121	$146,001

(a) The year 2017 includes Large Dispositions of $18.4 million.

	Non-Cash Cost of Land and Improved Development		
	2019	2018	2017
Real Estate (a)	$12,565	$23,553	$23,498

(a) The year 2017 includes Large Dispositions of $9.8 million.

Geographical Operating Information								
	Sales			Operating Income			Identifiable Assets	
	2019	2018	2017	2019	2018	2017	2019	2018
United States	$354,395	$390,396	$419,402	$58,945	$83,357	$138,528	$2,288,642	$2,282,480
New Zealand	357,161	425,742	400,194	48,082	86,711	76,963	572,354	498,186
Total	$711,556	$816,138	$819,596	$107,027	$170,068	$215,491	$2,860,996	$2,780,666

(Dollar amounts in thousands unless otherwise stated)

6. DEBT

Rayonier's debt consisted of the following at December 31, 2019 and 2018:

	2019	2018
Term Credit Agreement due 2024 at a variable interest rate of 3.3% at December 31, 2019	$350,000	$350,000
Senior Notes due 2022 at a fixed interest rate of 3.75%	325,000	325,000
Incremental Term Loan Agreement due 2026 at a variable interest rate of 3.6% at December 31, 2019	300,000	300,000
Revolving Credit Facility due 2020 at a variable interest rate of 3.0% at December 31, 2019	82,000	—
Total debt	1,057,000	975,000
Less: Current maturities of long-term debt	(82,000)	—
Less: Deferred financing costs	(1,871)	(2,433)
Long-term debt, net of deferred financing costs	$973,129	$972,567

Principal payments due during the next five years and thereafter are as follows:

2020	82,000
2021	—
2022	325,000
2023	—
2024	350,000
Thereafter	300,000
Total debt	$1,057,000

TERM CREDIT AGREEMENT

In August 2015, the Company entered into a credit agreement with CoBank, ACB, as administrative agent, and a syndicate of Farm Credit institutions and other commercial banks to provide $550 million of new credit facilities, including a nine-year $350 million term loan facility. The periodic interest rate on the term loan facility is subject to a pricing grid based on the Company's leverage ratio, as defined in the credit agreement. As of December 31, 2019, the periodic interest rate on the term loan facility was LIBOR plus 1.625%. Monthly payments of interest only are due on this loan through maturity. Following the closing of the term loan, the Company entered into several interest rate swap transactions to fix the cost of the term loan facility over its nine-year term. The term credit agreement allows the Company to receive annual patronage payments, which are profit distributions made by a cooperative to its member-users based on the quantity or value of business done with the member-user. The Company estimates the effective interest rate on the term loan facility to be approximately 3.3% after consideration of the interest rate swaps and estimated patronage refunds. For additional information on the Company's interest rate swaps see Note 14 — Derivative Financial Instruments and Hedging Activities.

3.75% SENIOR NOTES ISSUED MARCH 2012

In March 2012, Rayonier Inc. issued $325 million of 3.75% Senior Notes due 2022, guaranteed by certain subsidiaries. Semi-annual payments of interest only are due on these notes through maturity. See Note 24 - Consolidating Financial Statements for further information regarding the subsidiary guarantors.

INCREMENTAL TERM LOAN AGREEMENT

In April 2016, the Company entered into an incremental term loan agreement with CoBank, ACB, as administrative agent, and a syndicate of Farm Credit institutions to provide a 10-year, $300 million incremental term loan. The periodic interest rate on the incremental term loan agreement is subject to a pricing grid based on the Company's leverage ratio, as defined in the credit agreement. As of December 31, 2019, the periodic interest rate on the incremental term loan was LIBOR plus 1.900%. Monthly payments of interest only are due on this loan through maturity. Following the closing of the incremental term loan, the Company entered into several interest rate swap transactions to fix the cost of the facility over its 10-year term. The Company estimates the effective interest rate on the incremental term loan facility to be approximately 2.8% after consideration of the interest rate swaps and estimated patronage payments. For additional information on the Company's interest rate swaps see Note 14 — Derivative Financial Instruments and Hedging Activities.

REVOLVING CREDIT FACILITY

In August 2015, the Company entered into a five-year $200 million unsecured revolving credit facility, replacing the previous $200 million revolving credit facility and $100 million farm credit facility, which were scheduled to expire in April 2016 and December 2019, respectively. The periodic interest rate on the revolving credit facility is subject to a pricing grid based on the Company's leverage ratio, as defined in the credit agreement. As of December 31, 2019, the periodic interest rate on the revolving credit facility was LIBOR plus 1.250%, with an unused commitment fee of 0.175%. Monthly payments of interest only are due on this loan through maturity. At December 31, 2019, the Company had $116.5 million of available borrowings under this facility, net of $1.5 million to secure its outstanding letters of credit.

NEW ZEALAND SUBSIDIARY DEBT

In April 2013, Rayonier acquired an additional 39% interest in its New Zealand subsidiary, bringing its total ownership to 65%, and as a result, the New Zealand subsidiary's debt was consolidated effective on that date. On March 3, 2016, as a result of a capital contribution, the Company's ownership interest in the New Zealand subsidiary increased to 77%. See Note 8 — New Zealand Subsidiary for further information.

WORKING CAPITAL FACILITIES

In June 2019, the New Zealand subsidiary renewed its NZ$20 million working capital facility for an additional 12-month term. The NZ$20 million working capital facility is available for short-term operating cash flow needs of the New Zealand subsidiary. This facility holds a variable interest rate indexed to the 90-day New Zealand Bank Bill rate ("BKBM"). The margins are set for the term of the facility. During the year ended December 31, 2019, the New Zealand subsidiary made no borrowings and repayments on its working capital facility. At December 31, 2019, there was no outstanding balance on the working capital facility.

DEBT COVENANTS

In connection with the Company's $350 million term credit agreement (the "Term Credit Agreement"), $300 million incremental term loan agreement (the "Incremental Term Loan Agreement") and $200 million revolving credit facility (the "Revolving Credit Facility"), customary covenants must be met, the most significant of which include interest coverage and leverage ratios.

In addition to these financial covenants listed above, the Senior Notes, Term Credit Agreement, Incremental Term Loan Agreement and Revolving Credit Facility include customary covenants that limit the incurrence of debt and the disposition of assets, among others. At December 31, 2019, the Company was in compliance with all covenants.

(Dollar amounts in thousands unless otherwise stated)

7. HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS

Rayonier continuously assesses potential alternative uses of its timberlands, as some properties may become more valuable for development, residential, recreation or other purposes. The Company periodically transfers, via a sale or contribution from the REIT to taxable REIT subsidiaries ("TRS"), HBU timberlands to enable land-use entitlement, development or marketing activities. The Company also periodically acquires HBU properties in connection with timberland acquisitions. These properties are managed as timberlands until sold or developed. While the majority of HBU sales involve rural and recreational land, the Company also selectively pursues various land-use entitlements on certain properties for residential, commercial and industrial development in order to enhance the long-term value of such properties. For selected development properties, Rayonier also invests in targeted infrastructure improvements, such as roadways and utilities, to accelerate the marketability and improve the value of such properties.

An analysis of higher and better use timberlands and real estate development investments from December 31, 2018 to December 31, 2019 is shown below:

	Higher and Better Use Timberlands and Real Estate Development Investments		
	Land and Timber	Development Investments	Total
Non-current portion at December 31, 2018	$59,189	$26,420	$85,609
Plus: Current portion (a)	4,239	7,680	11,919
Total Balance at December 31, 2018	63,428	34,100	97,528
Non-cash cost of land and improved development	(1,916)	(4,814)	(6,730)
Timber depletion from harvesting activities and basis of timber sold in real estate sales	(2,866)	—	(2,866)
Capitalized real estate development investments (b)	—	6,803	6,803
Capital expenditures (silviculture)	204	—	204
Intersegment transfers	(485)	—	(485)
Total Balance at December 31, 2019	58,365	36,089	94,454
Less: Current portion (a)	(274)	(12,389)	(12,663)
Non-current portion at December 31, 2019	$58,091	$23,700	$81,791

(a) The current portion of Higher and Better Use Timberlands and Real Estate Development Investments is recorded in Inventory. See Note 19 — Inventory for additional information.

(b) Capitalized real estate development investments includes $0.4 million of capitalized interest.

8. NEW ZEALAND SUBSIDIARY

The Company maintains a 77% controlling financial interest in Matariki Forestry Group (the "New Zealand subsidiary"), a joint venture that owns or leases approximately 414,000 legal acres of New Zealand timberland. Accordingly, the Company consolidates the New Zealand subsidiary's balance sheet and results of operations. The portions of the consolidated financial position and results of operations attributable to the New Zealand subsidiary's 23% noncontrolling interest are shown separately within the Consolidated Statements of Income and Comprehensive Income and Consolidated Statements of Shareholders' Equity. Rayonier New Zealand Limited ("RNZ"), a wholly-owned subsidiary of Rayonier Inc., serves as the manager of the New Zealand subsidiary.

(Dollar amounts in thousands unless otherwise stated)

9. COMMITMENTS

At December 31, 2019, the future minimum payments under non-cancellable commitments were as follows:

	Development Projects (a)	Pension Contributions (b)	Commitments (c)	Total
2020	$4,403	$3,599	$2,510	$10,512
2021	178	681	2,122	2,981
2022	178	—	2,027	2,205
2023	178	—	2,007	2,185
2024	178	—	1,171	1,349
Thereafter	2,749	—	—	2,749
	$7,864	$4,280	$9,837	$21,981

(a) Primarily consisting of payments expected to be made on the Company's Wildlight and Richmond Hill development projects.

(b) Pension contribution requirements are based on actuarially determined estimates and IRS minimum funding requirements.

(c) Commitments include payments expected to be made on foreign exchange contracts, timberland deeds and other purchase obligations.

10. INCOME TAXES

Our U.S. timber operations are primarily conducted by our REIT entity and are generally not subject to U.S. federal and state income taxation. Our New Zealand timber operations are conducted by the New Zealand subsidiary, which is subject to corporate-level tax in New Zealand. Our non-REIT qualifying operations, which are subject to corporate-level tax, are held by various TRS entities. These operations include our log trading business and certain real estate activities, such as the sale, entitlement and development of HBU properties.

PROVISION FOR INCOME TAXES FROM CONTINUING OPERATIONS

The provision for income taxes for each of the three years ended December 31 follows:

	2019	2018	2017
Current			
U.S. federal	$2	$2	$261
State	(122)	37	(38)
Foreign	(1,542)	(1,914)	(245)
	(1,662)	(1,875)	(22)
Deferred			
U.S. federal	465	3,803	13,028
State	17	146	—
Foreign	(11,278)	(23,360)	(21,659)
	(10,796)	(19,411)	(8,631)
Changes in valuation allowance	(482)	(3,950)	(13,028)
Total	($12,940)	($25,236)	($21,681)

(Dollar amounts in thousands unless otherwise stated)

A reconciliation of the U.S. federal statutory income tax rate to the actual income tax rate for each of the three years ended December 31 follows:

	2019		2018		2017	
U.S. federal statutory income tax rate	($16,930)	(21.0)%	($29,939)	(21.0)%	($64,141)	(35.0)%
U.S. and foreign REIT income	19,902	24.7	32,949	23.1	63,813	34.8
Matariki Group and Rayonier New Zealand Ltd	(11,181)	(13.9)	(23,166)	(16.2)	(19,182)	(10.5)
Transition tax	—	—	—	—	(3,506)	(1.9)
Change in valuation allowance	(482)	(0.6)	(3,950)	(2.8)	(13,028)	(7.1)
ASU No. 2016-16 adoption impact	—	—	—	—	16,631	9.1
Deemed repatriation of unremitted foreign earnings	—	—	—	—	7,368	4.0
Reduction of deferred tax asset for statutory rate change	—	—	—	—	(10,499)	(5.7)
Internal transfer of assets deferred	(1,815)	(2.3)	—	—	—	—
Foreign income tax withholding	(1,535)	(1.9)	(1,848)	(1.3)	—	—
Other	(899)	(1.1)	718	0.5	863	0.5
Income tax expense as reported for net income	($12,940)	(16.1)%	($25,236)	(17.7)%	($21,681)	(11.8)%

The Company's effective tax rate is below the 21 percent U.S. statutory rate primarily due to tax benefits associated with being a REIT.

DEFERRED TAXES

Deferred income taxes result from differences between the timing of recognizing revenues and expenses for financial book purposes versus income tax purposes. The nature of the temporary differences and the resulting net deferred tax asset/liability for the two years ended December 31 follows:

	2019	2018
Gross deferred tax assets:		
Pension, postretirement and other employee benefits	$1,512	$1,791
New Zealand subsidiary	23,211	14,252
CBPC tax credit carry forwards	14,555	14,555
Capitalized real estate costs	6,635	7,386
U.S. TRS net operating loss	5,410	5,747
Land basis difference	10,626	11,282
Other	4,356	4,047
Total gross deferred tax assets	66,305	59,060
Less: Valuation allowance	(39,320)	(38,839)
Total deferred tax assets after valuation allowance	$26,985	$20,221
Gross deferred tax liabilities:		
Accelerated depreciation	(23)	(73)
New Zealand subsidiary	(87,548)	(66,430)
Timber installment sale	—	(4,823)
Other	(3,938)	(1,272)
Total gross deferred tax liabilities	(91,509)	(72,598)
Net deferred tax liability reported as noncurrent	($64,524)	($52,377)

(Dollar amounts in thousands unless otherwise stated)

Foreign net operating loss ("NOL") and tax credit carryforwards as of the two years ended December 31 follows:

	Gross Amount	Valuation Allowance	Expiration
2019			
New Zealand subsidiary NOL carryforwards	$11,650	—	None
U.S. net deferred tax asset	24,765	(24,765)	None
Cellulosic Biofuel Producer Credit (a)	14,555	(14,555)	2023
Total Valuation Allowance		($39,320)	
2018			
New Zealand subsidiary NOL carryforwards	$31,052	—	None
U.S. net deferred tax asset	24,284	(24,284)	None
Cellulosic Biofuel Producer Credit (a)	14,555	(14,555)	2019
Total Valuation Allowance		($38,839)	

(a) The Further Consolidated Appropriations Act, 2020 was signed into law on December 20, 2019. The Further Consolidated Appropriations Act, 2020 included the Taxpayer Certainty and Disaster Relief Act of 2019 (Tax Extenders Act), which temporarily renewed approximately two dozen credits that previously expired or were set to expire at the end of 2019. The Cellulosic Biofuel Producer Credit was one of the credits extended under this act.

UNRECOGNIZED TAX BENEFITS

A reconciliation of the beginning and ending unrecognized tax benefits for the three years ended December 31 follows:

	2019	2018	2017
Balance at January 1,	—	—	$135
Decreases related to prior year tax positions (a)	—	—	(135)
Increases related to prior year tax positions	—	—	—
Balance at December 31,	—	—	—

(a) Result of a lapse of the applicable statute of limitations.

The Company records interest (and penalties, if applicable) related to unrecognized tax benefits in non-operating expense. The Company recorded no benefit to interest expense in 2019, 2018 and 2017, respectively and had no recorded liabilities for the payment of interest at December 31, 2019 and 2018.

TAX STATUTES

The following table provides detail of the tax years that remain open to examination by the IRS and other significant taxing jurisdictions:

Taxing Jurisdiction	Open Tax Years
U.S. Internal Revenue Service	2016 - 2018
New Zealand Inland Revenue	2014 - 2018

(Dollar amounts in thousands unless otherwise stated)

11. CONTINGENCIES

The Company has been named as a defendant in various lawsuits and claims arising in the normal course of business. While the Company has procured reasonable and customary insurance covering risks normally occurring in connection with its businesses, it has in certain cases retained some risk through the operation of large deductible insurance plans, primarily in the areas of executive risk, property, automobile and general liability. These pending lawsuits and claims, either individually or in the aggregate, are not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flow.

12. GUARANTEES

The Company provides financial guarantees as required by creditors, insurance programs, and various governmental agencies. As of December 31, 2019, the following financial guarantees were outstanding:

Financial Commitments (a)	Maximum Potential Payment
Standby letters of credit (b)	$1,509
Surety bonds (c)	3,487
Total financial commitments	$4,996

(a) The Company has not recorded any liabilities for these financial commitments in the Consolidated Balance Sheets. The guarantees are not subject to measurement, as the guarantees are dependent on the Company's own performance.

(b) Approximately $0.5 million of the standby letters of credit serve as credit support for infrastructure at the Company's Wildlight development project. The remaining letters of credit support various insurance related agreements, primarily workers' compensation. These letters of credit will expire at various dates during 2020 and will be renewed as required.

(c) Rayonier issues surety bonds primarily to secure performance obligations related to various operational activities and to provide collateral for the Company's Wildlight development project in Nassau County, Florida. These bonds expire at various dates during 2020 and are expected to be renewed as required.

(Dollar amounts in thousands unless otherwise stated)

13. EARNINGS PER COMMON SHARE

Basic earnings per share ("EPS") is calculated by dividing net income attributable to Rayonier by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated by dividing net income attributable to Rayonier by the weighted average number of common shares outstanding adjusted to include the potentially dilutive effect of outstanding stock options, performance shares, restricted shares, restricted stock units and convertible debt.

The following table provides details of the calculation of basic and diluted EPS for the three years ended December 31:

	2019	2018	2017
Net Income	$67,678	$117,330	$161,579
Less: Net income attributable to noncontrolling interest	(8,573)	(15,114)	(12,737)
Net income attributable to Rayonier Inc.	$59,105	$102,216	$148,842
Shares used for determining basic earnings per common share	129,257,202	129,043,627	127,367,608
Dilutive effect of:			
Stock options	12,209	71,276	91,956
Performance shares, restricted shares and restricted stock units	328,977	575,328	350,385
Shares used for determining diluted earnings per common share	129,598,388	129,690,231	127,809,949
Basic earnings per common share attributable to Rayonier Inc.:	$0.46	$0.79	$1.17
Diluted earnings per common share attributable to Rayonier Inc.:	$0.46	$0.79	$1.16

	2019	2018	2017
Anti-dilutive shares excluded from computations of diluted earnings per share:			
Stock options, performance shares, restricted shares and restricted stock units	450,681	254,282	596,061

14. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to market risk related to potential fluctuations in foreign currency exchange rates and interest rates. The Company uses derivative financial instruments to mitigate the financial impact of exposure to these risks. The Company also uses derivative financial instruments to mitigate exposure to foreign currency risk due to the translation of the investment in Rayonier's New Zealand-based operations from New Zealand dollars to U.S. dollars.

Accounting for derivative financial instruments is governed by Accounting Standards Codification Topic 815, *Derivatives and Hedging,* ("ASC 815"). In accordance with ASC 815, the Company records its derivative instruments at fair value as either assets or liabilities in the Consolidated Balance Sheets. Changes in the instruments' fair value are accounted for based on their intended use. Gains and losses on derivatives that are designated and qualify for cash flow hedge accounting are recorded as a component of accumulated other comprehensive (loss) income ("AOCI") and reclassified into earnings when the hedged transaction materializes. Gains and losses on derivatives that are designated and qualify for net investment hedge accounting are recorded as a component of AOCI and will not be reclassified into earnings until the Company's investment in its New Zealand operations is partially or completely liquidated. The ineffective portion of any hedge, changes in the fair value of derivatives not designated as hedging instruments and those which are no longer effective as hedging instruments, are recognized immediately in earnings. The Company's hedge ineffectiveness was de minimis for all periods presented.

FOREIGN CURRENCY EXCHANGE AND OPTION CONTRACTS

The functional currency of Rayonier's wholly-owned subsidiary, Rayonier New Zealand Limited, and the New Zealand subsidiary is the New Zealand dollar. The New Zealand subsidiary is exposed to foreign currency risk on export sales and ocean freight payments, which are mainly denominated in U.S. dollars. The New Zealand subsidiary typically hedges 50% to 90% of its estimated foreign currency exposure with respect to the following twelve months forecasted sales and purchases less distributions and up to 75% of the forward twelve to 18 months. Foreign currency exposure from the New Zealand subsidiary's trading operations is typically hedged based on the following three months forecasted sales and purchases. As of December 31, 2019, foreign currency exchange contracts and foreign currency option contracts had maturity dates through April 2021 and March 2021, respectively.

Foreign currency exchange and option contracts hedging foreign currency risk on export sales and ocean freight payments qualify for cash flow hedge accounting. The Company may de-designate these cash flow hedge relationships in advance or at the occurrence of the forecasted transaction. The portion of gains or losses on the derivative instrument previously accumulated in other comprehensive (loss) income for de-designated hedges remains in accumulated other comprehensive (loss) income until the forecasted transaction affects earnings. Changes in the value of derivative instruments after de-designation are recorded in earnings.

INTEREST RATE SWAPS

The Company is exposed to cash flow interest rate risk on its variable-rate Term Credit Agreement and Incremental Term Loan (as discussed below), and uses variable-to-fixed interest rate swaps to hedge this exposure. For these derivative instruments, the Company reports the gains/losses from the fluctuations in the fair market value of the hedges in AOCI and reclassifies them to earnings as interest expense in the same period in which the hedged interest payments affect earnings. For additional information on the Company's interest rate swaps see Note 6 — Debt.

(Dollar amounts in thousands unless otherwise stated)

The following table contains information on the outstanding interest rate swaps as of December 31, 2019:

Outstanding Interest Rate Swaps (a)

Date Entered Into	Term	Notional Amount	Related Debt Facility	Fixed Rate of Swap	Bank Margin on Debt	Total Effective Interest Rate (b)
August 2015	9 years	$170,000	Term Credit Agreement	2.20%	1.63%	3.83%
August 2015	9 years	180,000	Term Credit Agreement	2.35%	1.63%	3.98%
April 2016	10 years	100,000	Incremental Term Loan	1.60%	1.90%	3.50%
April 2016	10 years	100,000	Incremental Term Loan	1.60%	1.90%	3.50%
July 2016	10 years	100,000	Incremental Term Loan	1.26%	1.90%	3.16%

(a) All interest rate swaps have been designated as interest rate cash flow hedges and qualify for hedge accounting.

(b) Rate is before estimated patronage payments.

CARBON OPTIONS

The New Zealand subsidiary enters into carbon options from time to time to sell carbon assets at certain prices. Changes in fair value of the carbon option contracts are recorded in "Interest and other miscellaneous income, net" as the contracts do not qualify for hedge accounting treatment. As of December 31, 2019, carbon option contracts had maturity dates through June 2020.

The following table demonstrates the impact, gross of tax, of the Company's derivatives on the Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2019, 2018 and 2017.

	Location on Statement of Income and Comprehensive Income	2019	2018	2017
Derivatives designated as cash flow hedges:				
Foreign currency exchange contracts	Other comprehensive (loss) income	$2,211	($4,357)	$2,100
Foreign currency option contracts	Other comprehensive (loss) income	159	(180)	(52)
Interest rate swaps	Other comprehensive (loss) income	(32,189)	8,296	4,214
Derivatives designated as a net investment hedge:				
Foreign currency exchange contract	Other comprehensive (loss) income	—	(344)	—
Derivatives not designated as hedging instruments:				
Foreign currency exchange contracts	Interest and other miscellaneous income, net	$135	$2,183	$47
Carbon options	Interest and other miscellaneous income, net	(105)	(158)	—

During the next 12 months, the amount of the December 31, 2019 AOCI balance, net of tax, expected to be reclassified into earnings as a result of the maturation of the Company's derivative instruments is a gain of approximately $0.3 million.

(Dollar amounts in thousands unless otherwise stated)

The following table contains the notional amounts of the derivative financial instruments recorded in the Consolidated Balance Sheets at December 31, 2019 and 2018:

	Notional Amount	
	2019	2018
Derivatives designated as cash flow hedges:		
Foreign currency exchange contracts	$56,350	$69,950
Foreign currency option contracts	22,000	24,000
Interest rate swaps	650,000	650,000
Derivatives not designated as hedging instruments:		
Foreign currency exchange contracts	—	9,396
Carbon options (a)	9,592	2,517

(a) Notional amount for carbon options is calculated as the number of units outstanding multiplied by the spot price as of December 31, 2019.

The following table contains the fair values of the derivative financial instruments recorded in the Consolidated Balance Sheets at December 31, 2019 and 2018. Changes in balances of derivative financial instruments are recorded as operating activities in the Consolidated Statements of Cash Flows:

		Fair Value Assets (Liabilities) (a)	
	Location on Balance Sheet	2019	2018
Derivatives designated as cash flow hedges:			
Foreign currency exchange contracts	Other current assets	424	—
	Other assets	390	—
	Other current liabilities	(172)	(1,569)
Foreign currency option contracts	Other current assets	151	217
	Other assets	209	102
	Other current liabilities	(27)	(106)
	Other non-current liabilities	(30)	(68)
Interest rate swaps	Other assets	2,614	23,735
	Other non-current liabilities	(11,068)	—
Derivatives not designated as hedging instruments:			
Foreign currency exchange contracts	Other current assets	—	152
	Other current liabilities	—	(24)
Carbon options (a)	Other current liabilities	(607)	(322)
Total derivative contracts:			
Other current assets		$575	$369
Other assets		3,213	23,837
Total derivative assets		$3,788	$24,206
Other current liabilities		(806)	(2,021)
Other non-current liabilities		(11,098)	(68)
Total derivative liabilities		($11,904)	($2,089)

(a) See Note 15 — Fair Value Measurements for further information on the fair value of our derivatives including their classification within the fair value hierarchy.

(Dollar amounts in thousands unless otherwise stated)

OFFSETTING DERIVATIVES

Derivative financial instruments are presented at their gross fair values in the Consolidated Balance Sheets. The Company's derivative financial instruments are not subject to master netting arrangements, which would allow the right of offset.

15. FAIR VALUE MEASUREMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

A three-level hierarchy that prioritizes the inputs used to measure fair value was established in the Accounting Standards Codification as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the carrying amount and estimated fair values of financial instruments held by the Company at December 31, 2019 and 2018, using market information and what the Company believes to be appropriate valuation methodologies under generally accepted accounting principles:

	December 31, 2019			December 31, 2018		
Asset (liability) (a)	Carrying Amount	Fair Value		Carrying Amount	Fair Value	
		Level 1	Level 2		Level 1	Level 2
Cash and cash equivalents	$68,735	$68,735	—	$148,374	$148,374	—
Restricted cash (b)	1,233	1,233	—	8,080	8,080	—
Current maturities of long-term debt	(82,000)	—	(82,000)	—	—	—
Long-term debt (c)	(973,129)	—	(981,500)	(972,567)	—	(975,845)
Interest rate swaps (d)	(8,454)	—	(8,454)	23,735	—	23,735
Foreign currency exchange contracts (d)	642	—	642	(1,442)	—	(1,442)
Foreign currency option contracts (d)	303	—	303	145	—	145
Carbon options contracts (d)	(607)	—	(607)	(322)	—	(322)
Marketable equity securities (e)	10,582	10,582	—	—	—	—

(a) The Company did not have Level 3 assets or liabilities at December 31, 2019 and 2018.

(b) Restricted cash represents the proceeds from like-kind exchange sales deposited with a third-party intermediary and cash held in escrow for real estate development obligations. See Note 20 - Restricted Cash for additional information.

(c) The carrying amount of long-term debt is presented net of capitalized debt costs on non-revolving debt. See Note 6 — Debt for additional information.

(d) See Note 14 — Derivative Financial Instruments and Hedging Activities for information regarding the Balance Sheet classification of the Company's derivative financial instruments.

(e) The Company's investments in marketable equity securities are classified in "Other Assets" based on the nature of the securities and their availability for use in current operations. See Note 21 - Other Assets for additional information.

Rayonier uses the following methods and assumptions in estimating the fair value of its financial instruments:

Cash and cash equivalents and Restricted cash — The carrying amount is equal to fair market value.

Debt — The fair value of fixed rate debt is based upon quoted market prices for debt with similar terms and maturities. The variable rate debt adjusts with changes in the market rate, therefore the carrying value approximates fair value.

Interest rate swap agreements — The fair value of interest rate contracts is determined by discounting the expected future cash flows, for each instrument, at prevailing interest rates.

(Dollar amounts in thousands unless otherwise stated)

Foreign currency exchange contracts — The fair value of foreign currency exchange contracts is determined by a mark-to-market valuation, which estimates fair value by discounting the difference between the contracted forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

Foreign currency option contracts — The fair value of foreign currency option contracts is based on a mark-to-market calculation using the Black-Scholes option pricing model.

Carbon option contracts — The fair value of carbon option contracts is determined by a mark-to-market valuation using the Black-Scholes option pricing model, which estimates fair value by discounting the difference between the contracted forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

Marketable equity securities — The fair value of marketable equity securities is determined by quoted prices in their active market.

The following table presents marketable equity securities that have been in a continuous unrealized gain position for less than 12 months and for 12 months or greater at December 31, 2019 and December 31, 2018:

	December 31, 2019				December 31, 2018			
	Carrying Amount	Less than 12 Months	12 Months or Greater	Total	Carrying Amount	Less than 12 Months	12 Months or Greater	Total
Fair value of marketable equity securities	$10,582	$10,582	—	$10,582	—	—	—	—
Unrealized gains	—	3,043	—	3,043	—	—	—	—

(Dollar amounts in thousands unless otherwise stated)

16. EMPLOYEE BENEFIT PLANS

The Company has one qualified non-contributory defined benefit pension plan covering a portion of its employees and an unfunded plan that provides benefits in excess of amounts allowable under current tax law in the qualified plans. The Company closed enrollment in its pension plans to salaried employees hired after December 31, 2005. Effective December 31, 2016, the Company froze benefits for all employees participating in the pension plan. In lieu of the pension plan, the Company provides those employees with an enhanced 401(k) plan match similar to what is currently provided to employees hired after December 31, 2005. Employee benefit plan liabilities are calculated using actuarial estimates and management assumptions. These estimates are based on historical information, along with certain assumptions about future events. Changes in assumptions, as well as changes in actual experience, could cause the estimates to change.

The following tables set forth the change in the projected benefit obligation and plan assets and reconcile the funded status and the amounts recognized in the Consolidated Balance Sheets for the pension and postretirement benefit plans for the two years ended December 31:

	Pension		Postretirement	
	2019	2018	2019	2018
Change in Projected Benefit Obligation				
Projected benefit obligation at beginning of year	$79,559	$87,986	$1,303	$1,420
Service cost	—	—	6	7
Interest cost	3,197	3,021	54	38
Actuarial loss (gain)	10,828	(8,160)	285	(149)
Benefits paid	(3,323)	(3,288)	(14)	(13)
Projected benefit obligation at end of year	$90,261	$79,559	$1,634	$1,303
Change in Plan Assets				
Fair value of plan assets at beginning of year	$50,949	$57,377	—	—
Actual return on plan assets	12,975	(4,638)	—	—
Employer contributions	6,413	2,829	14	13
Benefits paid	(3,284)	(4,002)	(14)	(13)
Other expense	(593)	(617)	—	—
Fair value of plan assets at end of year	$66,460	$50,949	—	—
Funded Status at End of Year:				
Net accrued benefit cost	($23,801)	($28,610)	($1,634)	($1,303)
Amounts Recognized in the Consolidated Balance Sheets Consist of:				
Current liabilities	($86)	($86)	($38)	($27)
Noncurrent liabilities	(23,715)	(28,524)	(1,596)	(1,276)
Net amount recognized	($23,801)	($28,610)	($1,634)	($1,303)

Net gains or losses recognized in other comprehensive (loss) income for the three years ended December 31 are as follows:

	Pension			Postretirement		
	2019	2018	2017	2019	2018	2017
Net (losses) gains	($1,514)	($1,743)	($583)	($285)	$149	($89)

(Dollar amounts in thousands unless otherwise stated)

Net gains or losses reclassified from other comprehensive income and recognized as a component of pension and postretirement expense for the three years ended December 31 are as follows:

	Pension			Postretirement		
	2019	2018	2017	2019	2018	2017
Amortization of losses (gains)	$449	$673	$466	—	$2	($1)

Net losses that have not yet been included in pension and postretirement expense for the two years ended December 31, but have been recognized as a component of AOCI are as follows:

	Pension		Postretirement	
	2019	2018	2019	2018
Net losses	($24,317)	($23,252)	($292)	($7)
Deferred income tax benefit	1,216	1,216	6	6
AOCI	($23,101)	($22,036)	($286)	($1)

For pension and postretirement plans with accumulated benefit obligations in excess of plan assets, the following table sets forth the projected and accumulated benefit obligations and the fair value of plan assets for the two years ended December 31:

	2019	2018
Projected benefit obligation	$90,261	$79,559
Accumulated benefit obligation	90,261	79,559
Fair value of plan assets	66,460	50,949

The following tables set forth the components of net pension and postretirement benefit cost (credit) that have been recognized during the three years ended December 31:

	Pension			Postretirement		
	2019	2018	2017	2019	2018	2017
Components of Net Periodic Benefit Cost (Credit)						
Service cost	—	—	—	$6	$7	$6
Interest cost	3,197	3,021	3,259	54	38	53
Expected return on plan assets	(3,107)	(3,934)	(3,781)	—	—	—
Amortization of losses (gains)	449	673	466	—	2	(1)
Net periodic benefit cost (credit)	$539	($240)	($56)	$60	$47	$58

The estimated pre-tax amounts that will be amortized from AOCI into net periodic benefit cost in 2020 are as follows:

	Pension	Postretirement
Amortization of loss	$861	$8

(Dollar amounts in thousands unless otherwise stated)

The following table sets forth the principal assumptions inherent in the determination of benefit obligations and net periodic benefit cost of the pension and postretirement benefit plans as of December 31:

	Pension			Postretirement		
	2019	2018	2017	2019	2018	2017
Assumptions used to determine benefit obligations at December 31:						
Discount rate	3.06%	4.11%	3.48%	3.16%	4.18%	3.56%
Rate of compensation increase	—	—	—	4.50%	4.50%	4.50%
Assumptions used to determine net periodic benefit cost for years ended December 31:						
Discount rate	4.11%	3.48%	4.01%	4.18%	3.56%	4.12%
Expected long-term return on plan assets	5.72%	7.17%	7.17%	—	—	—
Rate of compensation increase	—	—	—	4.50%	4.50%	4.50%

At December 31, 2019, the pension plan's discount rate was 3.1%, which closely approximates interest rates on high quality, long-term obligations. In 2019, the expected return on plan assets decreased to 5.7%, which is based on historical and expected long-term rates of return on broad equity and bond indices and consideration of the actual annualized rate of return. The Company utilizes this information in developing assumptions for returns, risks and correlations of asset classes, which are then used to establish the asset allocation ranges.

INVESTMENT OF PLAN ASSETS

The Company's pension plans' asset allocation (excluding short-term investments) at December 31, 2019 and 2018, and target allocation ranges by asset category are as follows:

	Percentage of Plan Assets		Target Allocation Range
Asset Category	2019	2018	
Domestic equity securities	41%	39%	35-45%
International equity securities	28%	28%	20-30%
Domestic fixed income securities	25%	26%	25-29%
International fixed income securities	4%	5%	3-7%
Real estate fund	2%	2%	2-4%
Total	100%	100%	

The Company's Pension and Savings Plan Committee and the Audit Committee of the Board of Directors oversee the pension plans' investment program, which is designed to maximize returns and provide sufficient liquidity to meet plan obligations while maintaining acceptable risk levels. The investment approach emphasizes diversification by allocating the plans' assets among asset categories and selecting investment managers whose various investment methodologies will be minimally correlative with each other. Investments within the equity categories may include large capitalization, small capitalization and emerging market securities, while the international fixed income portfolio may include emerging markets debt. Pension assets did not include a direct investment in Rayonier common shares during the years ended December 31, 2019 and 2018.

NET ASSET VALUE MEASUREMENTS

Separate investment accounts are measured using the unit value calculated based on the Net Asset Value ("NAV") of the underlying assets. The NAV is based on the fair value of the underlying investments held by each fund less liabilities divided by the units outstanding as of the valuation date. These funds are not publicly traded; however, the unit price calculation is based on observable market inputs of the funds' underlying assets.

(Dollar amounts in thousands unless otherwise stated)

The following table sets forth the net asset value of the plan assets as of December 31, 2019 or 2018.

Asset Category	December 31, 2019	December 31, 2018
Investments at Net Asset Value:		
Separate Investment Accounts	66,460	50,949
Total Investments at Net Asset Value	$66,460	$50,949

CASH FLOWS

Expected benefit payments to be made by the Company for the next 10 years are as follows:

	Pension Benefits	Postretirement Benefits
2020	$3,671	$38
2021	3,829	42
2022	4,050	45
2023	4,146	48
2024	4,318	51
2025-2029	22,752	308

The Company has approximately $3.6 million of pension contribution requirements in 2020.

DEFINED CONTRIBUTION PLANS

The Company provides a defined contribution plan to all of its employees. Company match contributions charged to expense for these plans were $1.0 million, $0.9 million and $0.8 million for the years ended December 31, 2019, 2018 and 2017, respectively. The defined contribution plan includes Rayonier common shares with a fair market value of $10.6 million and $9.7 million at December 31, 2019 and 2018, respectively. As of June 1, 2016, the Rayonier Inc. Common Stock Fund was closed to new contributions. Transfers out of the fund will continue to be permitted, but no new investments or transfers into the fund are allowed.

As discussed above, the defined benefit pension plan is currently frozen. In lieu of the pension plan, employees are eligible to receive an enhanced match contribution. Company enhanced match contributions charged to expense for the years ended December 31, 2019, 2018 and 2017 were $0.9 million, $0.8 million and $0.8 million, respectively.

(Dollar amounts in thousands unless otherwise stated)

17. INCENTIVE STOCK PLANS

The Rayonier Incentive Stock Plan (the "Stock Plan") provides up to 15.8 million shares to be granted for incentive stock options, non-qualified stock options, stock appreciation rights, performance shares, restricted stock and restricted stock units, subject to certain limitations. At December 31, 2019, a total of 3.8 million shares were available for future grants under the Stock Plan. Under the Stock Plan, shares available for issuance are reduced by 1 share for each option or right granted and by 2.27 shares for each performance share, restricted share or restricted stock unit granted. The Company issues new shares of stock upon the exercise of stock options, the granting of restricted stock, and the vesting of performance shares and restricted stock units.

A summary of the Company's stock-based compensation cost is presented below:

	2019	2018	2017
Selling and general expenses	$6,416	$5,623	$4,784
Cost of sales	378	704	556
Timber and Timberlands, net (a)	110	101	56
Total stock-based compensation	$6,904	$6,428	$5,396
Tax benefit recognized related to stock-based compensation expense (b)	$362	$338	$249

(a) Represents amounts capitalized as part of the overhead allocation of timber-related costs.

(b) A valuation allowance is recorded against the tax benefit recognized as the Company does not expect to be able to realize the benefit in the future.

FAIR VALUE CALCULATIONS BY AWARD

RESTRICTED STOCK

Restricted stock granted to employees under the Stock Plan generally vests in fourths on the first, second, third and fourth anniversary of the grant date. Restricted stock granted to senior management generally vests in thirds on the third, fourth, and fifth anniversary of the grant date. Periodically, other one-time restricted stock grants are issued to employees for special purposes, such as new hire, promotion or retention, and can vest ratably over, or upon completion of, a defined period of time. Generally, holders of restricted stock receive dividend equivalent payments on outstanding restricted shares. Restricted stock granted to members of the board of directors generally vests immediately upon issuance and is subject to certain holding requirements. The fair value of each share granted is equal to the share price of the Company's stock on the date of grant. Rayonier has elected to value each grant in total and recognize the expense on a straight-line basis from the grant date of the award to the latest vesting date. As permitted, the Company does not estimate a forfeiture rate for non-vested shares. Accordingly, unexpected forfeitures will lower stock-based compensation during the period in which they occur.

As of December 31, 2019, there was $2.5 million of unrecognized compensation cost attributable to the Company's restricted stock. The Company expects to recognize this cost over a weighted average period of 2.3 years.

A summary of the Company's restricted stock is presented below:

	2019	2018	2017
Restricted shares granted	—	87,924	97,643
Weighted average price of restricted shares granted	—	$35.44	$28.18
Intrinsic value of restricted stock outstanding (a)	$5,540	$8,792	$8,906
Grant date fair value of restricted stock vested	4,579	1,582	1,198
Cash used to purchase common shares from current and former employees to pay minimum withholding tax requirements on restricted shares vested	1,610	334	176

(a) Intrinsic value of restricted stock outstanding is based on the market price of the Company's stock at December 31, 2019.

(Dollar amounts in thousands unless otherwise stated)

	2019	
	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested Restricted Shares at January 1,	317,499	$30.64
Granted	—	—
Vested	(142,778)	32.07
Cancelled	(5,607)	29.99
Non-vested Restricted Shares at December 31,	169,114	$29.45

RESTRICTED STOCK UNITS

In April 2019, the Company began granting restricted stock units instead of restricted stock to both employees and members of the board of directors. All attributes of the Company's restricted stock described herein, including vesting characteristics, dividend payments, fair value measurement and expense recognition, apply equally to restricted stock units granted under the Stock Plan.

As of December 31, 2019, there was $2.7 million of unrecognized compensation cost attributable to the Company's restricted stock units. The Company expects to recognize this cost over a weighted average period of 3.9 years.

A summary of the Company's restricted stock units is presented below:

	2019	2018	2017
Restricted stock units granted	128,226	—	—
Weighted average price of restricted stock units granted	$31.39	—	—
Intrinsic value of restricted stock units outstanding (a)	3,351	—	—
Grant date fair value of restricted stock units vested	762	—	—
Cash used to purchase common shares from current and former employees to pay minimum withholding tax requirements on restricted stock units vested	$1	—	—

(a) Intrinsic value of restricted stock units outstanding is based on the market price of the Company's stock at December 31, 2019.

	2019	
	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested Restricted Stock Units at January 1,	—	—
Granted	128,226	31.39
Vested	(24,664)	30.90
Cancelled	(1,265)	31.77
Non-vested Restricted Stock Units at December 31,	102,297	$31.50

PERFORMANCE SHARE UNITS

The Company's performance share units generally vest upon completion of a three-year period. The number of shares, if any, that are ultimately awarded is contingent upon Rayonier's total shareholder return versus selected peer group companies. The performance share payout is based on a market condition, and as such, the awards are valued using a Monte Carlo simulation model. The model generates the fair value of the award at the grant date, which is then recognized as expense on a straight-line basis over the vesting period. Additionally, the Company does not estimate a forfeiture rate for non-vested units. As such, unexpected forfeitures will lower stock-based compensation during the period in which they occur.

(Dollar amounts in thousands unless otherwise stated)

The Stock Plan allows for the cash settlement of the minimum required withholding tax on performance share unit awards. As of December 31, 2019, there was $5.1 million of unrecognized compensation cost related to the Company's performance share unit awards, which is attributable to awards granted in 2017, 2018 and 2019. This cost is expected to be recognized over a weighted average period of 1.8 years.

A summary of the Company's performance share units is presented below:

	2019	2018	2017
Common shares reserved for performance shares granted during year	232,684	213,154	226,448
Weighted average fair value of performance share units granted	$35.99	$40.27	$32.17
Intrinsic value of outstanding performance share units (a)	10,758	9,229	10,414
Fair value of performance shares vested	6,387	5,670	—
Cash used to purchase common shares from current and former employees to pay minimum withholding tax requirements on performance shares vested	2,639	2,651	—

(a) Intrinsic value of outstanding performance share units is based on the market price of the Company's stock at December 31, 2019.

	2019	
	Number of Units	Weighted Average Grant Date Fair Value
Outstanding Performance Share units at January 1,	333,282	$33.60
Granted	116,342	35.99
Units Distributed	(114,563)	28.78
Other Cancellations/Adjustments	(6,675)	36.61
Outstanding Performance Share units at December 31,	328,386	$36.06

Expected volatility was estimated using daily returns on the Company's common shares for the three-year period ending on the grant date. The risk-free rate was based on the 3-year U.S. treasury rate on the date of the award. The dividend yield was not used to calculate fair value as awards granted receive dividend equivalents. The following table provides an overview of the assumptions used in calculating the fair value of the awards granted for the three years ended December 31, 2019:

	2019	2018	2017
Expected volatility	18.4%	20.8%	23.3%
Risk-free rate	2.3%	2.4%	1.5%

NON-QUALIFIED EMPLOYEE STOCK OPTIONS

The exercise price of each non-qualified stock option granted under the Stock Plan is equal to the closing market price of the Company's stock on the grant date. Under the Stock Plan, the maximum term is 10 years from the grant date.

(Dollar amounts in thousands unless otherwise stated)

A summary of the status of the Company's stock options as of and for the year ended December 31, 2019 is presented below.

	2019			
	Number of Shares	Weighted Average Exercise Price (per common share)	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Options outstanding at January 1,	510,122	$32.29		
Granted	—	—		
Exercised	(57,023)	22.09		
Cancelled or expired	(38,697)	36.50		
Options outstanding at December 31,	414,402	33.30	2.9	$514
Options exercisable at December 31,	414,402	$33.30	2.9	$514

A summary of additional information pertaining to the Company's stock options is presented below:

	2019	2018	2017
Intrinsic value of options exercised (a)	$475	$2,618	$1,993
Cash received from exercise of options	1,260	8,591	4,751

(a) Intrinsic value of options exercised is the amount by which the fair value of the stock on the exercise date exceeded the exercise price of the option.

As of December 31, 2019, compensation cost related to stock options was fully recognized.

(Dollar amounts in thousands unless otherwise stated)

18. OTHER OPERATING (EXPENSE) INCOME, NET

The following table provides the composition of Other operating (expense) income, net for the three years ended December 31:

	2019	2018	2017
(Loss) gain on foreign currency remeasurement, net of cash flow hedges	($3,077)	$370	$3,044
Gain (loss) on sale or disposal of property plant & equipment	56	7	(68)
Income from sale of unused Internet Protocol addresses	—	646	—
Log trading marketing fees	314	286	1,222
Income from New Zealand Timber settlement	—	—	420
Miscellaneous expense, net	(1,826)	(169)	(225)
Total	($4,533)	$1,140	$4,393

19. INVENTORY

As of December 31, 2019 and 2018, Rayonier's inventory was solely comprised of finished goods, as follows:

	2019	2018
Finished goods inventory		
Real estate inventory (a)	$12,663	$11,919
Log inventory	1,855	3,784
Total inventory	$14,518	$15,703

(a) Represents the cost of HBU real estate (including capitalized development investments) under contract to be sold. See Note 7 — Higher and Better Use Timberlands and Real Estate Development Investments for additional information.

20. RESTRICTED CASH

In order to qualify for like-kind exchange ("LKE") treatment, the proceeds from real estate sales must be deposited with a third-party intermediary. These proceeds are accounted for as restricted cash until a suitable replacement property is acquired. In the event that the LKE purchases are not completed, the proceeds are returned to the Company after 180 days and reclassified as available cash. As of December 31, 2019 and 2018, the Company had $1.2 million and $8.1 million, respectively, of proceeds from real estate sales classified as restricted cash which were deposited with an LKE intermediary as well as cash held in escrow for real estate development obligations.

The following table contains the amount of restricted cash recorded in the Consolidated Balance Sheets and Consolidated Statements of Cash Flows for the years ended December 31:

	2019	2018
Restricted cash deposited with LKE intermediary	$758	$7,530
Restricted cash held in escrow	475	550
Total restricted cash shown in the Consolidated Balance Sheets	1,233	8,080
Cash and cash equivalents	68,735	148,374
Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows	$69,968	$156,454

(Dollar amounts in thousands unless otherwise stated)

21. OTHER ASSETS

Included in Other Assets are derivatives, goodwill in the New Zealand subsidiary, long-term prepaid roads, marketable equity securities and other deferred expenses including deferred financing costs related to revolving debt and capitalized software costs.

See Note 14 — Derivative Financial Instruments and Hedging Activities for further information on derivatives including their classification on the Consolidated Balance Sheets.

Changes in goodwill for the years ended December 31, 2019 and 2018 were:

	2019	2018
Balance, January 1 (net of $0 of accumulated impairment)	$8,307	$8,776
Changes to carrying amount		
Acquisitions	—	—
Impairment	—	—
Foreign currency adjustment	304	(469)
Balance, December 31 (net of $0 of accumulated impairment)	$8,611	$8,307

See Note 1 — Summary of Significant Accounting Policies for additional information on goodwill.

As of December 31, 2019 and 2018, Rayonier's prepaid logging and secondary roads follows:

	2019	2018
Long-term and prepaid and secondary roads		
Pacific Northwest long-term prepaid roads	$4,198	$4,000
New Zealand long-term secondary roads	4,265	3,072
Total long-term prepaid and secondary roads	$8,463	$7,072

See Note 1 — Summary of Significant Accounting Policies for additional information on prepaid logging roads.

As of December 31, 2019 and 2018, Rayonier's deferred financing costs related to revolving debt follows:

	2019	2018
Deferred financing costs related to revolving debt	$102	$213

See Note 1 — Summary of Significant Accounting Policies for additional information on deferred financing costs related to revolving debt.

As of December 31, 2019 and 2018, Rayonier's capitalized software costs follows:

	2019	2018
Capitalized software costs	$3,605	$3,776

See Note 1 — Summary of Significant Accounting Policies for additional information on capitalized software costs.

As of December 31, 2019 and 2018, Rayonier's investments in marketable equity securities follows:

	2019	2018
Investments in marketable equity securities	$10,582	—

See Note 1 — Summary of Significant Accounting Policies for additional information on investments in marketable equity securities. As of December 31, 2019, the Company's investments in marketable equity securities consist entirely of 114,400 limited partnership units of Pope Resources, originally purchased in an open-market transaction at $65.90 per unit.

(Dollar amounts in thousands unless otherwise stated)

22. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The following table summarizes the changes in AOCI by component for the years ended December 31, 2019 and 2018. All amounts are presented net of tax effect and exclude portions attributable to noncontrolling interest.

	Foreign currency translation gains/ (losses)	Net investment hedges of New Zealand JV	Cash flow hedges	Employee benefit plans	Total
Balance as of December 31, 2017	$15,975	$1,665	$16,184	($20,407)	$13,417
Other comprehensive (loss) income before reclassifications	(16,985)	(344)	5,944	(1,594)	(12,979)
Amounts reclassified from accumulated other comprehensive (loss) income	—	—	(163)	(36)	(199)
Net other comprehensive (loss) income	(16,985)	(344)	5,781	(1,630)	(13,178)
Balance as of December 31, 2018	($1,010)	$1,321	$21,965	($22,037)	$239
Other comprehensive (loss) income before reclassifications	784	—	(31,547) (a)	(1,799)	(32,562)
Amounts reclassified from accumulated other comprehensive (loss) income	—	—	672	449 (b)	1,121
Net other comprehensive (loss) income	784	—	(30,875)	(1,350)	(31,441)
Balance as of December 31, 2019	($226)	$1,321	($8,910)	($23,387)	($31,202)

(a) Includes $32.2 million of other comprehensive loss related to interest rate swaps. See Note 14 — Derivative Financial Instruments and Hedging Activities for additional information.

(b) This component of other comprehensive (loss) income is included in the computation of net periodic pension cost. See Note 16 — Employee Benefit Plans for additional information.

The following table presents details of the amounts reclassified in their entirety from AOCI for the years ended December 31, 2019 and 2018:

Details about accumulated other comprehensive (loss) income components	Amount reclassified from accumulated other comprehensive (loss) income 2019	2018	Affected line item in the income statement
Realized (gain) loss on foreign currency exchange contracts	$1,246	($121)	Other operating income, net
Realized (gain) loss on foreign currency option contracts	(33)	(173)	Other operating income, net
Noncontrolling interest	(279)	68	Comprehensive income (loss) attributable to noncontrolling interest
Income tax expense (benefit) from foreign currency contracts	(262)	63	Income tax expense (Note 10)
Net (gain) loss on cash flow hedges reclassified from accumulated other comprehensive income	$672	($163)	

(Dollar amounts in thousands unless otherwise stated)

23. QUARTERLY RESULTS FOR 2019 and 2018 (UNAUDITED)

(thousands of dollars, except per share amounts)	Quarter Ended Mar. 31	June 30	Sept. 30	Dec. 31	Total Year
2019					
Sales	$191,546	$184,800	$156,417	$178,793	$711,556
Cost of sales	(143,251)	(140,454)	(134,463)	(140,182)	(558,350)
Net Income	27,793	20,920	1,528	17,437	67,678
Net Income attributable to Rayonier Inc.	24,794	18,752	(433)	15,992	59,105
Basic EPS attributable to Rayonier Inc.	$0.19	$0.14	—	$0.12	$0.46
Diluted EPS attributable to Rayonier Inc.	$0.19	$0.14	—	$0.12	$0.46
2018					
Sales	$203,196	$245,906	$200,890	$166,146	$816,138
Cost of sales	(138,488)	(184,418)	(143,261)	(139,092)	(605,259)
Net Income	42,706	39,338	30,639	4,647	117,330
Net Income attributable to Rayonier Inc.	40,539	36,258	23,432	1,987	102,216
Basic EPS attributable to Rayonier Inc.	$0.31	$0.28	$0.18	$0.02	$0.79
Diluted EPS attributable to Rayonier Inc.	$0.31	$0.28	$0.18	$0.02	$0.79

(Dollar amounts in thousands unless otherwise stated)

24. CONSOLIDATING FINANCIAL STATEMENTS

The condensed consolidating financial information below follows the same accounting policies as described in the consolidated financial statements, except for the use of the equity method of accounting to reflect ownership interests in wholly-owned subsidiaries, which are eliminated upon consolidation, and the allocation of certain expenses of Rayonier Inc. incurred for the benefit of its subsidiaries.

In March 2012, Rayonier Inc. issued $325 million of 3.75% Senior Notes due 2022. In connection with these notes, the Company provides the following condensed consolidating financial information in accordance with SEC Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*.

The subsidiary guarantors, Rayonier Operating Company LLC ("ROC") and Rayonier TRS Holdings Inc., are wholly-owned by the parent company, Rayonier Inc. The notes are fully and unconditionally guaranteed on a joint and several basis by the guarantor subsidiaries.

	CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME For the Year Ended December 31, 2019				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
SALES	—	—	$711,556	—	$711,556
Costs and Expenses					
Cost of sales	—	(59)	(558,291)	—	(558,350)
Selling and general expenses	—	(20,560)	(21,086)	—	(41,646)
Other operating (expense) income, net	—	(1,392)	(3,141)	—	(4,533)
	—	(22,011)	(582,518)	—	(604,529)
OPERATING (LOSS) INCOME	—	(22,011)	129,038	—	107,027
Interest expense	(12,556)	(19,095)	(65)	—	(31,716)
Interest and miscellaneous income (expense), net	(1,827)	3,061	4,073	—	5,307
Equity in income from subsidiaries	73,488	113,284	—	(186,772)	—
INCOME BEFORE INCOME TAXES	59,105	75,239	133,046	(186,772)	80,618
Income tax expense	—	(1,751)	(11,189)	—	(12,940)
NET INCOME	59,105	73,488	121,857	(186,772)	67,678
Less: Net income attributable to noncontrolling interest	—	—	(8,573)	—	(8,573)
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	59,105	73,488	113,284	(186,772)	59,105
OTHER COMPREHENSIVE (LOSS) INCOME					
Foreign currency translation adjustment, net of income tax	783	(91)	1,054	(783)	963
Cash flow hedges, net of income tax	(30,875)	(32,189)	1,707	30,875	(30,482)
Actuarial change and amortization of pension and postretirement plan liabilities, net of income tax	(1,350)	(1,350)	—	1,350	(1,350)
Total other comprehensive (loss) income	(31,442)	(33,630)	2,761	31,442	(30,869)
COMPREHENSIVE INCOME	27,663	39,858	124,618	(155,330)	36,809
Less: Comprehensive income attributable to noncontrolling interest	—	—	(9,146)	—	(9,146)
COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.	$27,663	$39,858	$115,472	($155,330)	$27,663

(Dollar amounts in thousands unless otherwise stated)

	CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME For the Year Ended December 31, 2018				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
SALES	—	—	$816,138	—	$816,138
Costs and Expenses					
Cost of sales	—	—	(605,259)	—	(605,259)
Selling and general expenses	—	(19,812)	(22,139)	—	(41,951)
Other operating (expense) income, net	(12)	543	609	—	1,140
	(12)	(19,269)	(626,789)	—	(646,070)
OPERATING (LOSS) INCOME	(12)	(19,269)	189,349	—	170,068
Interest expense	(12,556)	(19,155)	(355)	—	(32,066)
Interest and miscellaneous income (expense), net	6,648	3,863	(5,947)	—	4,564
Equity in income from subsidiaries	108,136	144,916	—	(253,052)	—
INCOME BEFORE INCOME TAXES	102,216	110,355	183,047	(253,052)	142,566
Income tax expense	—	(2,219)	(23,017)	—	(25,236)
NET INCOME	102,216	108,136	160,030	(253,052)	117,330
Less: Net income attributable to noncontrolling interest	—	—	(15,114)	—	(15,114)
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	102,216	108,136	144,916	(253,052)	102,216
OTHER COMPREHENSIVE (LOSS) INCOME					
Foreign currency translation adjustment, net of income tax	(17,329)	386	(23,145)	17,329	(22,759)
Cash flow hedges, net of income tax	5,782	8,296	(3,267)	(5,782)	5,029
Actuarial change and amortization of pension and postretirement plan liabilities, net of income tax	(1,630)	(1,630)	—	1,630	(1,630)
Total other comprehensive (loss) income	(13,177)	7,052	(26,412)	13,177	(19,360)
COMPREHENSIVE INCOME	89,039	115,188	133,618	(239,875)	97,970
Less: Comprehensive income attributable to noncontrolling interest	—	—	(8,931)	—	(8,931)
COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.	$89,039	$115,188	$124,687	($239,875)	$89,039

(Dollar amounts in thousands unless otherwise stated)

	CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME For the Year Ended December 31, 2017				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
SALES	—	—	$819,596	—	$819,596
Costs and Expenses					
Cost of sales	—	—	(568,253)	—	(568,253)
Selling and general expenses	—	(16,797)	(23,448)	—	(40,245)
Other operating (expense) income, net	—	(479)	4,872	—	4,393
	—	(17,276)	(586,829)	—	(604,105)
OPERATING (LOSS) INCOME	—	(17,276)	232,767	—	215,491
Interest expense	(12,556)	(19,699)	(1,816)	—	(34,071)
Interest and miscellaneous income (expense), net	9,679	2,878	(10,717)	—	1,840
Equity in income from subsidiaries	151,719	186,388	—	(338,107)	—
INCOME BEFORE INCOME TAXES	148,842	152,291	220,234	(338,107)	183,260
Income tax expense	—	(572)	(21,109)	—	(21,681)
NET INCOME	148,842	151,719	199,125	(338,107)	161,579
Less: Net income attributable to noncontrolling interest	—	—	(12,737)	—	(12,737)
NET INCOME ATTRIBUTABLE TO RAYONIER INC.	148,842	151,719	186,388	(338,107)	148,842
OTHER COMPREHENSIVE INCOME					
Foreign currency translation adjustment, net of income tax	7,416	—	9,114	(7,416)	9,114
Cash flow hedges, net of income tax	5,353	4,214	1,479	(5,353)	5,693
Actuarial change and amortization of pension and postretirement plan liabilities, net of income tax	(208)	(208)	—	208	(208)
Total other comprehensive income	12,561	4,006	10,593	(12,561)	14,599
COMPREHENSIVE INCOME	161,403	155,725	209,718	(350,668)	176,178
Less: Comprehensive income attributable to noncontrolling interest	—	—	(14,775)	—	(14,775)
COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.	$161,403	$155,725	$194,943	($350,668)	$161,403

(Dollar amounts in thousands unless otherwise stated)

	CONDENSED CONSOLIDATING BALANCE SHEETS As of December 31, 2019				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$303	$45,792	$22,640	—	$68,735
Accounts receivable, less allowance for doubtful accounts	—	4,113	23,014	—	27,127
Inventory	—	—	14,518	—	14,518
Prepaid logging roads	—	—	12,128	—	12,128
Prepaid expenses	—	1,361	1,239	—	2,600
Other current assets	—	111	756	—	867
Total current assets	303	51,377	74,295	—	125,975
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	—	—	2,482,047	—	2,482,047
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS	—	—	81,791	—	81,791
NET PROPERTY, PLANT AND EQUIPMENT	—	16,568	5,683	—	22,251
RESTRICTED CASH	—	—	1,233	—	1,233
RIGHT-OF-USE ASSETS	—	32,253	67,689	—	99,942
INVESTMENT IN SUBSIDIARIES	1,709,958	3,072,304	—	(4,782,262)	—
INTERCOMPANY RECEIVABLE	56,935	(643,960)	587,025	—	—
OTHER ASSETS	2	(67)	47,822	—	47,757
TOTAL ASSETS	$1,767,198	$2,528,475	$3,347,585	($4,782,262)	$2,860,996
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Accounts payable	—	$2,866	$15,294	—	$18,160
Current maturities of long-term debt	—	82,000	—	—	82,000
Accrued taxes	—	59	2,973	—	3,032
Accrued payroll and benefits	—	5,585	3,284	—	8,869
Accrued interest	3,047	2,158	—	—	5,205
Deferred revenue	—	—	11,440	—	11,440
Other current liabilities	—	4,453	18,027	—	22,480
Total current liabilities	3,047	97,121	51,018	—	151,186
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS	324,170	648,959	—	—	973,129
PENSION AND OTHER POSTRETIREMENT BENEFITS	—	25,996	(685)	—	25,311
LONG-TERM LEASE LIABILITY	—	28,001	62,480	—	90,481
OTHER NON-CURRENT LIABILITIES	—	18,440	64,807	—	83,247
INTERCOMPANY PAYABLE	—	—	—	—	—
TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY	1,439,981	1,709,958	3,072,304	(4,782,262)	1,439,981
Noncontrolling interest	—	—	97,661	—	97,661
TOTAL SHAREHOLDERS' EQUITY	1,439,981	1,709,958	3,169,965	(4,782,262)	1,537,642
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,767,198	$2,528,475	$3,347,585	($4,782,262)	$2,860,996

(Dollar amounts in thousands unless otherwise stated)

	CONDENSED CONSOLIDATING BALANCE SHEETS As of December 31, 2018				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$361	$104,777	$43,236	—	$148,374
Accounts receivable, less allowance for doubtful accounts	—	3,752	22,399	—	26,151
Inventory	—	—	15,703	—	15,703
Prepaid logging roads	—	—	11,976	—	11,976
Prepaid expenses	—	977	4,063	—	5,040
Other current assets	—	108	501	—	609
Total current assets	361	109,614	97,878	—	207,853
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	—	—	2,401,327	—	2,401,327
HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS	—	—	85,609	—	85,609
NET PROPERTY, PLANT AND EQUIPMENT	—	16,940	5,811	—	22,751
RESTRICTED CASH	—	—	8,080	—	8,080
INVESTMENT IN SUBSIDIARIES	1,833,899	3,022,875	—	(4,856,774)	—
INTERCOMPANY RECEIVABLES	49,461	(638,424)	588,963	—	—
OTHER ASSETS	2	19,244	35,800	—	55,046
TOTAL ASSETS	$1,883,723	$2,530,249	$3,223,468	($4,856,774)	$2,780,666
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Accounts payable	—	$1,616	$16,403	—	$18,019
Accrued taxes	—	8	3,170	—	3,178
Accrued payroll and benefits	—	5,848	4,568	—	10,416
Accrued interest	3,047	1,960	—	—	5,007
Deferred revenue	—	—	10,447	—	10,447
Other current liabilities	—	216	16,258	—	16,474
Total current liabilities	3,047	9,648	50,846	—	63,541
LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS	323,803	648,764	—	—	972,567
PENSION AND OTHER POSTRETIREMENT BENEFITS	—	30,484	(684)	—	29,800
OTHER NON-CURRENT LIABILITIES	—	7,454	52,754	—	60,208
TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY	1,556,873	1,833,899	3,022,875	(4,856,774)	1,556,873
Noncontrolling interest	—	—	97,677	—	97,677
TOTAL SHAREHOLDERS' EQUITY	1,556,873	1,833,899	3,120,552	(4,856,774)	1,654,550
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,883,723	$2,530,249	$3,223,468	($4,856,774)	$2,780,666

(Dollar amounts in thousands unless otherwise stated)

	CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS For the Year Ended December 31, 2019				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	($21,865)	($12,730)	$248,848	—	$214,253
INVESTING ACTIVITIES					
Capital expenditures	—	(641)	(63,355)	—	(63,996)
Real estate development investments	—	—	(6,803)	—	(6,803)
Purchase of timberlands	—	—	(142,287)	—	(142,287)
Investment in subsidiaries	—	(406)	—	406	—
Other	—	(8,754)	2,450	—	(6,304)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	—	(9,801)	(209,995)	406	(219,390)
FINANCING ACTIVITIES					
Issuance of debt	—	82,000	—	—	82,000
Repayment of debt	—	—	—	—	—
Dividends paid	(139,531)	(32,239)	30,699	—	(141,071)
Proceeds from the issuance of common shares under incentive stock plan	1,260	—	—	—	1,260
Repurchase of common shares	(4,250)	—	—	—	(4,250)
Proceeds used for Share Buybacks	—	(8,430)	—	—	(8,430)
Proceeds from shareholder distribution hedge	—	—	135	—	135
Distribution to minority shareholder	—	—	(9,161)	—	(9,161)
Issuance of intercompany notes	—	—	—	—	—
Debt issuance cost	—	(132)	—	—	(132)
Intercompany distributions	164,328	(77,653)	(86,269)	(406)	—
CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	21,807	(36,454)	(64,596)	(406)	(79,649)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	(1,700)	—	(1,700)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH					
Change in cash, cash equivalents and restricted cash	(58)	(58,985)	(27,443)	—	(86,486)
Balance, beginning of year	361	104,777	51,316	—	156,454
Balance, end of year	$303	$45,792	$23,873	—	$69,968

(Dollar amounts in thousands unless otherwise stated)

	CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS For the Year Ended December 31, 2018				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	$284,781	$182,057	($156,742)	—	$310,096
INVESTING ACTIVITIES					
Capital expenditures	—	(59)	(62,266)	—	(62,325)
Real estate development investments	—	—	(9,501)	—	(9,501)
Purchase of timberlands	—	—	(57,608)	—	(57,608)
Investment in subsidiaries	—	6,128	—	(6,128)	—
Other	—	—	(3,421)	—	(3,421)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	—	6,069	(132,796)	(6,128)	(132,855)
FINANCING ACTIVITIES					
Issuance of debt	—	—	1,014	—	1,014
Repayment of debt	—	(50,000)	(4,416)	—	(54,416)
Dividends paid	(136,698)	(74)	—	—	(136,772)
Proceeds from the issuance of common shares under incentive stock plan	8,591	—	—	—	8,591
Repurchase of common shares	(2,984)	—	—	—	(2,984)
Proceeds from shareholder distribution hedge	—	—	2,025	—	2,025
Distribution to minority shareholder	—	—	(11,172)	—	(11,172)
Issuance of intercompany notes	299,715	18,961	(318,676)	—	—
Intercompany distributions	(501,608)	(77,278)	572,758	6,128	—
CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	(332,984)	(108,391)	241,533	6,128	(193,714)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	571	—	571
CASH, CASH EQUIVALENTS AND RESTRICTED CASH					
Change in cash, cash equivalents and restricted cash	(48,203)	79,735	(47,434)	—	(15,902)
Balance, beginning of year	48,564	25,042	98,750	—	172,356
Balance, end of year	$361	$104,777	$51,316	—	$156,454

(Dollar amounts in thousands unless otherwise stated)

	CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS For the Year Ended December 31, 2017				
	Rayonier Inc. (Parent Issuer)	Subsidiary Guarantors	Non-guarantors	Consolidating Adjustments	Total Consolidated
CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	($48,104)	$111,431	$192,957	—	$256,284
INVESTING ACTIVITIES					
Capital expenditures	—	—	(65,345)	—	(65,345)
Real estate development investments	—	—	(15,784)	—	(15,784)
Purchase of timberlands	—	—	(242,910)	—	(242,910)
Net proceeds from large disposition of timberlands	—	—	95,243	—	95,243
Rayonier office building under construction	—	—	(6,084)	—	(6,084)
Investment in subsidiaries	—	38,546	—	(38,546)	—
Other	—	—	(373)	—	(373)
CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	—	38,546	(235,253)	(38,546)	(235,253)
FINANCING ACTIVITIES					
Issuance of debt	—	25,000	38,389	—	63,389
Repayment of debt	—	(15,000)	(85,157)	—	(100,157)
Dividends paid	(127,069)	—	—	—	(127,069)
Proceeds from the issuance of common shares under incentive stock plan	4,751	—	—	—	4,751
Proceeds from the issuance of common shares from equity offering, net of cost	152,390	—	—	—	152,390
Repurchase of common shares	(176)	—	—	—	(176)
Issuance of intercompany notes	(32,000)	—	32,000	—	—
Intercompany distributions	77,319	(144,396)	28,531	38,546	—
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	75,215	(134,396)	13,763	38,546	(6,872)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	580	—	580
CASH, CASH EQUIVALENTS AND RESTRICTED CASH					
Change in cash, cash equivalents and restricted cash	27,111	15,581	(27,953)	—	14,739
Balance, beginning of year	21,453	9,461	126,703	—	157,617
Balance, end of year	$48,564	$25,042	$98,750	—	$172,356

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Rayonier management is responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) are designed with the objective of ensuring that information required to be disclosed by the Company in reports filed under the Exchange Act, such as this Annual Report on Form 10-K, is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Because of the inherent limitations in all control systems, no control evaluation can provide absolute assurance that all control exceptions and instances of fraud have been prevented or detected on a timely basis. Even systems determined to be effective can provide only reasonable assurance that their objectives are achieved.

Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that the design and operation of the disclosure controls and procedures were effective as of December 31, 2019.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

In the year ended December 31, 2019, based upon the evaluation required by paragraph (d) of Rule 13a-15, there were no changes in our internal control over financial reporting that would materially affect or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. OTHER INFORMATION

Not applicable.

PART III

Certain information required by Part III is incorporated by reference from the Company's Definitive Proxy Statement to be filed with the SEC in connection with the solicitation of proxies for the Company's 2020 Annual Meeting of Shareholders (the "Proxy Statement"). We will make the Proxy Statement available on our website at www.rayonier.com as soon as it is filed with the SEC.

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

A list of our executive officers and their biographical information are found in Item 1 in this Annual Report on Form 10-K. Additional information required by this Item with respect to directors and other governance matters is incorporated herein by reference from the sections and subsections entitled "Proposal No. 1 - Election of Directors," "Corporate Governance," "Named Executive Officers" and "Report of the Audit Committee" in the Proxy Statement.

Our Standard of Ethics and Code of Corporate Conduct, which is applicable to our principal executive, financial and accounting officers, is available on our website, *www.rayonier.com*. Any amendments to or waivers of the Standard of Ethics and Code of Corporate Conduct will also be disclosed on our website.

Item 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated herein by reference from the section and subsections entitled "Compensation Discussion and Analysis," "Summary Compensation Table," "CEO Pay Ratio," "Grants of Plan-Based Awards," "Outstanding Equity Awards at Fiscal Year-End," "Option Exercises and Stock Vested," "Pension Benefits," "Nonqualified Deferred Compensation," "Potential Payments Upon Termination or Change in Control," "Director Compensation," "Compensation Committee Interlocks and Insider Participation; Processes and Procedures" and "Report of the Compensation and Management Development Committee" in the Proxy Statement.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by Item 12 is incorporated herein by reference from the section and subsections entitled "Ownership of and Trading in our Shares," "Share Ownership of Certain Beneficial Owners," "Share Ownership of Directors and Executive Officers" and "Equity Compensation Plan Information" in the Proxy Statement.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by Item 13 is incorporated herein by reference from the section and subsections entitled "Proposal No. 1 - Election of Directors," "Director Independence" and "Related Person Transactions" in the Proxy Statement.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by Item 14 is incorporated herein by reference from the subsection entitled "Information Regarding Independent Registered Public Accounting Firm" in the Proxy Statement.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as a part of this report:

(1) See *Index to Financial Statements* on page 48 for a list of the financial statements filed as part of this report.

(2) Financial Statement Schedules:

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 2019, 2018, and 2017
(In Thousands)

Description	Balance at Beginning of Year	Additions Charged to Cost and Expenses		Deductions	Balance at End of Year
Allowance for doubtful accounts:					
Year ended December 31, 2019	$8	16		—	$24
Year ended December 31, 2018	23	—		(15)	8
Year ended December 31, 2017	33	—		(10)	23
Deferred tax asset valuation allowance:					
Year ended December 31, 2019	$38,839	481	(a)	—	$39,320
Year ended December 31, 2018	34,889	3,950	(a)	—	38,839
Year ended December 31, 2017	21,861	13,028	(a)	—	34,889

(a) The 2019, 2018 and 2017 increase is comprised of valuation allowance against the TRS deferred tax assets.

All other financial statement schedules have been omitted because they are not applicable, the required matter is not present or the required information has otherwise been supplied in the financial statements or the notes thereto.

(3) See Exhibit Index for a list of the exhibits filed or incorporated herein as part of this report. Exhibits that are incorporated by reference to documents filed previously by the Company under the Securities Exchange Act of 1934, as amended, are filed with the SEC under File No. 1-6780.

Item 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

The following is a list of exhibits filed as part of the Form 10-K. As permitted by the rules of the SEC, the Company has not filed certain instruments defining the rights of holders of long-term debt of the Company or its consolidated subsidiaries under which the total amount of securities authorized does not exceed 10 percent of the total assets of the Company and its consolidated subsidiaries. The Company agrees to furnish to the SEC, upon request, a copy of any omitted instrument.

Exhibit No.	Description	Location
2.1	Contribution, Conveyance and Assumption Agreement dated December 18, 2003 by and among Rayonier Inc., Rayonier Timberlands Operating Company, L.P., Rayonier Timberlands, L.P., Rayonier Timberlands Management, LLC, Rayonier Forest Resources, LLC, Rayland, LLC, Rayonier TRS Holdings Inc., Rayonier Minerals, LLC, Rayonier Forest Properties, LLC, Rayonier Wood Products, LLC, Rayonier Wood Procurement, LLC, Rayonier International Wood Products, LLC, Rayonier Forest Operations, LLC, Rayonier Properties, LLC and Rayonier Performance Fibers, LLC	Incorporated by reference to Exhibit 10.1 to the Registrant's January 15, 2004 Form 8-K
2.2	Contribution, Conveyance and Assumption Agreement, dated July 29, 2010, between Rayonier Inc. and Rayonier Operating Company LLC	Incorporated by reference to Exhibit 10.7 to the Registrant's June 30, 2010 Form 10-Q
2.3	Separation and Distribution Agreement, dated May 28, 2014, by and between Rayonier Inc. and Rayonier Advanced Materials Inc.**	Incorporated by reference to Exhibit 2.1 to the Registrant's May 30, 2014 Form 8-K
3.1	Amended and Restated Articles of Incorporation	Incorporated by reference to Exhibit 3.1 to the Registrant's May 23, 2012 Form 8-K
3.2	By-Laws	Incorporated by reference to Exhibit 3.2 to the Registrant's October 21, 2009 Form 8-K
3.3	Limited Liability Company Agreement of Rayonier Operating Company LLC	Incorporated by reference to Exhibit 3.3 to the Registrant's June 30, 2010 Form 10-Q
4.1	Indenture relating to the 3.75% Senior Notes due 2022, dated March 5, 2012, between Rayonier Inc., as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee	Incorporated by reference to Exhibit 4.1 to the Registrant's March 5, 2012 Form 8-K
4.2	First Supplemental Indenture relating to the 3.75% Senior Notes due 2022, dated March 5, 2012, among Rayonier Inc., as issuer, the subsidiary guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee	Incorporated by reference to Exhibit 4.2 to the Registrant's March 5, 2012 Form 8-K
4.3	Second Supplemental Indenture relating to the 3.75% Senior Notes due 2022, dated March 5, 2012, among Rayonier Inc., as issuer, the subsidiary guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee	Incorporated by reference to Exhibit 4.1 to the Registrant's October 17, 2012 Form 8-K
4.4	Form of Note for 3.75% Senior Notes due 2022 (contained in Exhibit A to Exhibit 4.4)	Incorporated by reference to Exhibit 4.2 to the Registrant's March 5, 2012 Form 8-K
4.5	Indenture among Rayonier A.M. Products Inc., the guarantors party thereto from time to time and Wells Fargo Bank, National Association, as Trustee, dated as of May 22, 2014	Incorporated by reference to Exhibit 4.1 to the Registrant's May 22, 2014 Form 8-K
4.6	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	Filed herewith
10.1	Rayonier Investment and Savings Plan for Salaried Employees effective March 1, 1994, amended and restated effective April 1, 2015 and further amended effective September 8, 2015*	Incorporated by reference to Exhibit 10.2 to the Registrant's December 31, 2015 Form 10-K

Exhibit No.	Description	Location
10.2	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of June 1, 2016, executed February 25, 2016*	Incorporated by reference to Exhibit 10.1 to the Registrant’s March 31, 2016 Form 10-Q
10.3	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of June 1, 2016, executed June 13, 2016*	Filed herewith
10.4	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of January 1, 2017, executed January 17, 2017*	Incorporated by reference to Exhibit 10.1 to the Registrant’s March 31, 2017 Form 10-Q
10.5	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of January 1, 2017, executed July 20, 2017*	Incorporate by reference to Exhibit 10.1 to the Registrant’s June 30, 2017 Form 10-Q
10.6	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of April 1, 2017, executed December 7, 2016*	Filed herewith
10.7	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of October 1 2017, executed November 9, 2017*	Incorporated by reference to Exhibit 10.6 to the Registrant’s December 31, 2017 Form 10-K
10.8	Amendment to Rayonier Investment and Savings Plan for Salaried Employees effective as of November 1, 2018, executed December 21, 2018	Incorporated by reference to Exhibit 10.7 to the Registrant’s December 31, 2018 Form 10-K
10.9	Amended and Restated Retirement Plan for Salaried Employees of Rayonier Inc. effective January 1, 2014*	Incorporated by reference to Exhibit 10.9 to the Registrant’s December 31, 2015 Form 10-K
10.10	First Amendment to the Retirement Plan for Salaried Employees of Rayonier Inc. effective as of December 31, 2016*	Incorporated by reference to Exhibit 10.2 to the Registrant’s September 30, 2016 Form 10-Q
10.11	Rayonier Inc. Excess Benefit Plan, as amended*	Incorporated by reference to Exhibit 10.2 to the Registrant’s June 30, 2010 Form 10-Q
10.12	Form of Rayonier Outside Directors Compensation Program/ Cash Deferral Option Agreement*	Incorporated by reference to Exhibit 10.24 to the Registrant’s December 31, 2006 Form 10-K
10.13	Trust Agreement for the Rayonier Inc. Legal Resources Trust*	Incorporated by reference to Exhibit 10.1 to the Registrant’s September 30, 2014 Form 10-Q
10.14	Amended and Restated Master Shareholder Agreement in Relation to Matariki Forests Australia PTY Limited, Matariki Forestry Group and Matariki Forests, dated February, 2010, by and among SAS Trustee Corporation, Deutche Asset Management (Australia) Limited, Rayonier Canterbury LLC, Rayonier New Zealand Limited, Cameron and Company Limited, Matariki Forests Australia Pty Limited, Matariki Forestry Group and Matariki Forests	Filed herewith
10.15	Deed of Amendment and Restatement of Shareholder Agreement, dated March 31, 2016, by and among Rayonier Canterbury LLC, Waimarie Forests Pty Limited, Matariki Forestry Group, Matariki Forests and Phaunos Timber Fund Limited	Filed herewith
10.16	Intellectual Property Agreement, dated June 27, 2014, by and between Rayonier Inc. and Rayonier Advanced Materials Inc.	Incorporated by reference to Exhibit 10.4 to the Registrant’s June 30, 2014 Form 8-K

Exhibit No.	Description	Location
10.17	Form of Indemnification Agreement between Rayonier Inc. and its Officers and Directors*	Incorporated by reference to Exhibit 10.8 to the Registrant's June 30, 2014 Form 10-Q
10.18	Form of Indemnification Agreement between Rayonier Inc. and its Officers	Filed herewith
10.19	Rayonier Incentive Stock Plan, as amended*	Incorporate by reference to Exhibit 10.21 to the Registrant's December 31, 2018 Form 10-K
10.20	Form of Rayonier Incentive Stock Plan Non-Qualified Stock Option Award Agreement*	Incorporated by reference to Exhibit 10.19 to the Registrant's December 31, 2008 Form 10-K
10.21	Form of Rayonier Incentive Stock Plan Restricted Stock Award Agreement*	Incorporated by reference to Exhibit 10.5 to the Registrant's March 31, 2015 Form 10-Q
10.22	2017 Performance Share Award Program*	Incorporated by reference to Exhibit 10.2 to the Registrant's March 31, 2017 Form 10-Q
10.23	2018 Performance Share Award Program*	Incorporated by reference to Exhibit 10.1 to the Registrant's March 31, 2018 Form 10-Q
10.24	2019 Performance Share Award Program*	Filed herewith
10.25	Rayonier Inc. Supplemental Savings Plan effective March 1, 2016*	Incorporated by reference to Exhibit 10.2 to the Registrant's March 31, 2016 Form 10-Q
10.26	Credit Agreement dated as of August 5, 2015 among Rayonier Inc., Rayonier TRS Holdings Inc. and Rayonier Operating Company LLC, as Borrowers, CoBank, ACB as Administrative Agent, Swing Line Lender and Issuing Bank, JPMorgan Chase Bank, N.A. and Farm Credit of Florida, ACA as Co-Syndication Agents, Credit Suisse AG and SunTrust Bank as Co-Documentation Agents and CoBank, ACB as Sole Lead Arranger and Sole Bookrunner	Incorporated by reference to Exhibit 10.3 to the Registrant's March 31, 2016 Form 10-Q
10.27	First Amendment and Incremental Term Loan Agreement dated as of April 28, 2016, by and among Rayonier Inc., Rayonier TRS Holdings Inc., Rayonier Operating Company LLC, as Borrowers, CoBank, ACB, as Administrative Agent and the several banks, financial institutions and other institutional lenders party thereto	Incorporated by reference to Exhibit 10.1 to the Registrant's May 2, 2016 Form 8-K
10.28	2016 Guarantee Agreement dated as of April 28, 2016 among Rayonier Inc., Rayonier TRS Holdings Inc. and COBANK, ACB, as Administrative Agent	Incorporated by reference to Exhibit 10.2 to the Registrant's May 2, 2016 Form 8-K
10.29	Amended and Restated Executive Severance Pay Plan effective as of December 31, 2016*	Incorporated by reference to Exhibit 10.3 to the Registrant's September 30, 2016 Form 10-Q
10.30	LTI Supplemental Terms Vesting in Event of Retirement	Filed herewith
10.31	Rayonier Incentive Stock Plan Restricted Stock Unit Award Agreement, dated 2019*	Filed herewith

Exhibit No.	Description	Location
10.32	Rayonier Non-Equity Incentive Plan, as amended, Effective as of January 1, 2020*	Filed herewith
21	Subsidiaries of the registrant	Filed herewith
23.1	Consent of Ernst & Young LLP	Filed herewith
24	Powers of attorney	Filed herewith
31.1	Chief Executive Officer’s Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Chief Financial Officer’s Certification Pursuant to Rule 13a-14(a)/15d-14-(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32	Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	The following financial information from our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, formatted in Extensible Business Reporting Language (“XBRL”), includes: (i) the Consolidated Statements of Income and Comprehensive Income for the Years Ended December 31, 2019, 2018 and 2017; (ii) the Consolidated Balance Sheets as of December 31, 2019 and 2018; (iii) the Consolidated Statements of Shareholders’ Equity for the Years Ended December 31, 2019, 2018 and 2017; (iv) the Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2018 and 2017; and (v) the Notes to the Consolidated Financial Statements.	Filed herewith

* Management contract or compensatory plan.

** Certain schedules and similar attachments have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. Rayonier will furnish supplemental copies of any such schedules or attachments to the U.S. Securities and Exchange Commission upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ MARK MCHUGH

Mark McHugh
Senior Vice President and Chief Financial Officer
(Duly Authorized Officer, Principal Financial Officer)

February 24, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DAVID L. NUNES David L. Nunes (Principal Executive Officer)	President and Chief Executive Officer	February 24, 2020
/s/ MARK MCHUGH Mark McHugh (Principal Financial Officer)	Senior Vice President and Chief Financial Officer	February 24, 2020
/s/ APRIL TICE April Tice (Principal Accounting Officer)	Vice President, Financial Services and Corporate Controller	February 24, 2020
* Richard D. Kincaid	Chairman of the Board	
* Keith E. Bass	Director	
* Dod A. Fraser	Director	
* Scott R. Jones	Director	
* Bernard Lanigan, Jr.	Director	
* Blanche L. Lincoln	Director	
* V. Larkin Martin	Director	
* Andrew G. Wiltshire	Director	
*By: /s/ MARK R. BRIDWELL Mark R. Bridwell Attorney-In-Fact		February 24, 2020

EXHIBIT 21

SUBSIDIARIES OF RAYONIER INC.
As of December 31, 2019

Name of Subsidiary	State/Country of Incorporation/ Organization
Matariki Forests	New Zealand
Matariki Forestry Group	New Zealand
Rayonier Forest Resources, L.P.	Delaware
Rayonier Operating Company LLC	Delaware
Rayonier TRS Forest Operations, LLC	Delaware
Rayonier TRS Holdings Inc.	Delaware
Raydient LLC	Delaware

In accordance with Item 601(b)(21) of Regulation S–K, we have omitted some subsidiaries that, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of December 31, 2019 under Rule 1–02(w) of Regulation S–X.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

1) Registration Statement (Form S-3 No. 333–225530) of Rayonier, Inc.,

2) Registration Statement (Form S-4 Amendment No. 1 to No. 333–114858) of Rayonier Inc.,

3) Registration Statement (Form S-8 No. 333–129175) pertaining to the Rayonier 1994 Incentive Stock Plan,

4) Registration Statement (Form S-8 No. 333–129176) pertaining to the 2004 Rayonier Incentive Stock and Management Bonus Plan, and

5) Registration Statement (Form S-8 Amendment No. 2 to No. 333–152505) pertaining to the Rayonier Investment and Savings Plan for Salaried Employees;

of our reports dated February 24, 2020, with respect to the consolidated financial statements and schedule of Rayonier Inc. and the effectiveness of internal control over financial reporting of Rayonier Inc. included in this Annual Report (Form 10-K) of Rayonier Inc. for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Jacksonville, Florida
February 24, 2020

EXHIBIT 31.1

CERTIFICATION

I, David L. Nunes, certify that:

1. I have reviewed this annual report on Form 10-K of Rayonier Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2020

/s/ DAVID L. NUNES

David L. Nunes
President and Chief Executive Officer, Rayonier Inc.

EXHIBIT 31.2

CERTIFICATION

I, Mark McHugh, certify that:

1. I have reviewed this annual report on Form 10-K of Rayonier Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2020

/s/ MARK MCHUGH

Mark McHugh
Senior Vice President and
Chief Financial Officer, Rayonier Inc.

EXHIBIT 32

CERTIFICATION

The undersigned hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to our knowledge:

1. The Annual Report on Form 10-K of Rayonier Inc. (the "Company") for the period ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 24, 2020

/s/ DAVID L. NUNES	/s/ MARK MCHUGH
David L. Nunes	Mark McHugh
President and Chief Executive Officer, Rayonier Inc.	*Senior Vice President and Chief Financial Officer, Rayonier Inc.*

A signed original of this written statement required by Section 906 has been provided to Rayonier and will be retained by Rayonier and furnished to the Securities and Exchange Commission or its staff upon request.

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Board of Directors

Richard D. Kincaid [A, C]
Chairman of the Board
President and Founder
Because Foundation

David L. Nunes
President and
Chief Executive Officer
Rayonier Inc.

Keith E. Bass [A, C]
Managing Partner
Mill Creek Capital LLC

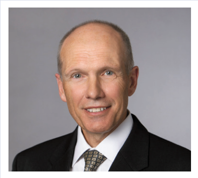
Dod A. Fraser [A, N]
President
Sackett Partners

Scott R. Jones [C]
Retired, President
Forest Capital Partners

Bernard Lanigan, Jr. [A, N]
Chairman & CEO,
Southeast Asset Advisors, Inc.;
Founder and Chairman,
Lanigan & Associates, P.C.

Blanche L. Lincoln [C, N]
Founder and Principal
Lincoln Policy Group

V. Larkin Martin [C, N]
Managing Partner
Martin Farm;
Vice President
The Albemarle Corporation



Andrew G. Wiltshire [A, N]
Founding Partner,
Folium Capital LLC;
Management and Governance
of private orchard
and farming companies

BOARD COMMITTEES: [A] Audit [C] Compensation and Management Development [N] Nominating and Corporate Governance

Executive Officers

David L. Nunes
President and
Chief Executive Officer

Mark D. McHugh
Senior Vice President and
Chief Financial Officer

Douglas M. Long
Senior Vice President,
Forest Resources

Christopher T. Corr
Senior Vice President,
Real Estate Development

Mark R. Bridwell
Vice President,
General Counsel and
Corporate Secretary

Shelby L. Pyatt
Vice President,
Human Resources and
Information Technology

W. Rhett Rogers
Vice President,
Portfolio Management

April J. Tice
Vice President,
Financial Services and
Corporate Controller

Corporate Information

Corporate Headquarters
Rayonier Inc.
1 Rayonier Way
Wildlight, FL 32097
904.357.9100
www.rayonier.com

Investor and Media Relations
Mark D. McHugh
Senior Vice President and
Chief Financial Officer

Form 10-K
Additional copies of this report
and Rayonier's report on Form 10-K
are available without charge upon
written request to:
Rayonier Inc.
Investor Relations
1 Rayonier Way
Wildlight, FL 32097

Independent Registered
Public Accounting Firm
Ernst & Young, LLP
12926 Gran Bay Parkway West
Suite 500
Jacksonville, FL 32258

Stock Information
Listed: New York Stock Exchange
Symbol: RYN
CUSIP: 754 907 103

Transfer Agent and
Registrar Rayonier Inc.
c/o Computershare
P.O. Box 505000
Louisville, KY 40233-5000
800.659.0158 (U.S.)
201.680.6578 (International)

www.computershare.com/investor

MORE THAN
trees

Rayonier
More than trees

Rayonier Inc.
1 Rayonier Way
Wildlight, Florida 32097