

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1996

OR

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

For the transition period from to

COMMISSION FILE NUMBER 1-6780

RAYONIER INC.

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

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

Telephone Number: (203) 348-7000

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

YES NO

As of May 9, 1996, there were 29,542,283 Common Shares of the Registrant outstanding.

RAYONIER INC.
TABLE OF CONTENTS

	PAGE
PART I.FINANCIAL INFORMATION	
Item 1.Financial Statements	
Statements of Consolidated Income for the Three Months Ended March 31, 1996 and 1995	1
Consolidated Balance Sheets as of March 31, 1996 and December 31, 1995	2
Statements of Consolidated Cash Flows for the Three Months Ended March 31, 1996 and 19953	
Item 2.Management's Discussion and Analysis of Financial Condition and Results of Operations	4-6
Item 3.Selected Operating Data	7
PART II.OTHER INFORMATION	
Item 1.Legal Proceedings	8
Item 6.Exhibits and Reports on Form 8-K	8
Signature	8
Exhibit Index	9

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The following unaudited financial statements reflect, in the opinion of Rayonier Inc. (Rayonier or the Company), all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the results of operations, the financial position and the cash flows for the periods presented. Certain reclassifications have been made to the prior year's financial statements to conform to current year presentation. For a full description of accounting policies, please refer to Notes to Consolidated Financial Statements in the 1995 Annual Report on Form 10-K.

RAYONIER INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
(unaudited)
(Thousands of dollars, except per share data)

	Three Months Ended March 31,	
	----- 1996 -----	----- 1995 -----
Sales	\$ 293,980	\$ 285,832
Costs and expenses	-----	-----
Cost of sales	225,674	224,044
Selling and general expenses	8,843	8,387
Other operating income, net	(429)	(1,443)
	----- 234,088	----- 230,988
Operating income	59,892	54,844
Interest expense	(7,146)	(8,535)
Interest and miscellaneous income, net	1,488	668
Minority interest	(8,988)	(9,300)
Income before income taxes	45,246	37,677
Provision for income taxes	(13,769)	(12,528)
	-----	-----
Net income	\$ 31,477	\$ 25,149
	=====	=====
Net income per Common Share	\$ 1.05	\$ 0.84
	=====	=====
Weighted average Common Shares outstanding	30,089,060	29,847,437
	=====	=====

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited)
(Thousands of dollars)

ASSETS	March 31, 1996	December 31, 1995
	-----	-----
CURRENT ASSETS		
Cash and short-term investments	\$ 5,606	\$ 10,932
Accounts receivable, less allowance for doubtful accounts of \$4,308 and \$4,420	126,175	128,478
Inventories		
Finished goods	73,131	71,307
Work in process	25,083	25,681
Raw materials	53,846	44,350
Manufacturing and maintenance supplies	31,279	28,740
	-----	-----
Total inventories	183,339	170,078
Timber stumpage	42,720	49,464
Other current assets	22,603	15,412
Deferred income taxes	15,031	15,208
	-----	-----
Total current assets	395,474	389,572
OTHER ASSETS	48,009	47,239
TIMBER STUMPAGE	27,750	29,396
TIMBER, TIMBERLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION	478,821	476,463
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, machinery and equipment	1,310,325	1,292,059
Less - accumulated depreciation	601,396	586,796
	-----	-----
	708,929	705,263
	-----	-----
	\$1,658,983	\$1,647,933
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 86,936	\$102,938
Bank loans and current maturities	1,841	3,040
Accrued taxes	24,253	9,941
Accrued payroll and benefits	17,204	26,554
Accrued interest	8,017	5,268
Other current liabilities	36,717	39,943
Current reserves for dispositions	17,100	16,047
	-----	-----
Total current liabilities	192,068	203,731
DEFERRED INCOME TAXES	162,335	160,574
LONG-TERM DEBT	447,247	446,696
NON-CURRENT RESERVES FOR DISPOSITIONS	20,360	23,542
OTHER NON-CURRENT LIABILITIES	26,438	25,204
MINORITY INTEREST	20,567	18,815
SHAREHOLDERS' EQUITY		
Common Shares, 60,000,000 shares authorized, 29,613,278 and 29,653,278 shares issued and outstanding	156,752	159,032
Retained earnings	633,216	610,339
	-----	-----
	789,968	769,371
	-----	-----
	\$1,658,983	\$1,647,933
	=====	=====

RAYONIER INC. AND SUBSIDIARIES
 STATEMENTS OF CONSOLIDATED CASH FLOWS
 (unaudited)
 (Thousands of dollars)

	Three Months Ended March 31,	
	1996	1995
OPERATING ACTIVITIES		
Net income	\$31,477	\$25,149
Non-cash items included in income		
Depreciation, depletion and amortization	24,136	24,492
Deferred income taxes	1,617	2,465
Increase in other non-current liabilities	1,234	1,132
Change in accounts receivable, inventories and accounts payable	(26,960)	(39,115)
Decrease (increase) in current timber stumpage	6,744	(9,581)
Increase in other current assets	(7,191)	(401)
Increase in accrued liabilities	4,485	12,189
Change in reserves for dispositions	(1,250)	(1,274)
	34,292	15,056
	=====	=====
INVESTING ACTIVITIES		
Capital expenditures, net of sales and retirements of \$543 and \$652	(30,160)	(30,791)
Expenditures for dispositions, net of tax benefits of \$321 and \$732	(558)	(1,235)
Change in timber stumpage and other assets	876	(224)
	(29,842)	(32,250)
	=====	=====
FINANCING ACTIVITIES		
Issuance of debt	700	27,444
Repayments of debt	(1,348)	(126)
Dividends	(8,600)	(7,402)
(Redemption) issuance of Common Shares	(2,280)	682
Increase (decrease) in minority interest	1,752	(314)
	(9,776)	20,284
	=====	=====
CASH AND SHORT-TERM INVESTMENTS		
(Decrease) increase during the period	(5,326)	3,090
Balance, beginning of period	10,932	9,178
	\$ 5,606	\$12,268
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid (received) during the period for:		
Interest	\$ 4,830	\$ 4,835
	=====	=====
Income taxes, net of refunds	\$ (898)	\$(2,768)
	=====	=====

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The sales and operating income of Rayonier's business segments for the three months ended March 31, 1996 and 1995 were as follows (thousands of dollars):

	Three Months Ended March 31,	
	1996	1995
Sales		
Timber and Wood Products		
Log trading and merchandising	\$ 67,792	\$ 80,001
Timberlands management and stumpage	49,749	50,153
Wood products	20,638	15,123
Intrasegment eliminations	(5,129)	(4,184)
	-----	-----
Total Timber and Wood Products	133,050	141,093
	-----	-----
Specialty Pulp Products		
Chemical cellulose	104,644	83,606
Fluff and specialty paper pulps	57,882	67,160
	-----	-----
Total Specialty Pulp Products	162,526	150,766
	-----	-----
Intersegment eliminations	(1,596)	(6,027)
	-----	-----
Total sales	\$293,980	\$285,832
	=====	=====
Operating Income		
Timber and Wood Products	\$37,183	\$42,754
Specialty Pulp Products	25,140	15,273
Corporate and other	(2,496)	(2,171)
Intersegment eliminations	65	(1,012)
	-----	-----
Total operating income	\$59,892	\$54,844
	=====	=====

Results of Operations

Sales and Operating Income

Sales of \$294 million for the first quarter of 1996 rose \$8 million or 3 percent from the first quarter of 1995. Operating income of \$60 million was \$5 million or 9 percent higher than last year's first quarter. Strong first quarter results reflected higher pricing for the Company's specialty dissolving pulps, which offset a drop in prices for fluff and paper pulps.

Timber and Wood Products

Timber and Wood Products' sales in the first quarter were \$133 million, \$8 million lower than the same period of 1995. Operating income for the quarter of \$37 million was down \$6 million from the prior year.

Log trading and merchandising sales and operating income, which include the Company's New Zealand log sales, were down from the 1995 first quarter due to continuing softness in Asian markets. In North America, both volume and selling prices were down from 1995 resulting in reduced sales and margins. In New Zealand, export log volume was up slightly but margins were down due to lower export selling prices.

Timberlands management and stumpage sales and margins were slightly below last year's first quarter. In the Northwest U.S. region, harvest volumes increased 32 percent from the 1995 first quarter as customers accelerated harvests amid fears that export markets could weaken further in the second and third quarters. These gains were offset in the Southeast U.S. where timber stumpage harvest volume and prices declined as pulp and paper mills and sawmills took market downtime. Wood products sales increased over the prior year mainly due to higher volume associated with the second quarter 1995 acquisition of a lumber manufacturing facility in Idaho; however, operating margins declined due to lower sales prices.

Specialty Pulp Products

Sales of Specialty Pulp Products increased to \$163 million, up 8 percent from last year's first quarter, and operating income rose \$10 million to \$25 million. Stable volumes and favorable pricing resulted in continued strong performance in dissolving grade pulps. Approximately 60 percent of the Company's pulp business is in specialty dissolving grades. The balance of the Company's pulp business is primarily fluff pulps, for which prices fell significantly since reaching record highs late in 1995. Favorable wood costs helped offset some of the price erosion.

Intersegment

First quarter intersegment sales of \$2 million in 1996 were less than the comparable 1995 amount due to lower stumpage sales from the Timber and Wood Products segment to the Specialty Pulp Products segment.

Other Items

As previously announced, the Company's results for 1996 are expected to be below last year's results unless there is a significant rebound in fluff pulp prices, which is unlikely. Prices for fluff pulps appear to have bottomed out in the second quarter at approximately 30 percent below first quarter prices and approximately \$50 a ton below recent expectations. In addition, unless a significant rebound in commodity pulp prices occurs in the near future, the prices for some of the Company's higher-value pulp grades will begin to come under price pressure from competitors and customers. The Company also believes that the current high cost of North American logs in Japan and high log inventories in Korea will likely result in lower demand and prices for export logs and timber in the second quarter. As a result, margins for Timber and Wood Products are expected to decline approximately 20 percent from first quarter levels.

Interest expense was \$7 million for the first quarter of 1996, \$1 million favorable to 1995, reflecting lower interest rates and a lower average debt level.

Minority interest in the earnings of Rayonier's subsidiary, Rayonier Timberlands, L.P. (RTLTP) was slightly below that of the prior year period, reflecting lower Southeast U.S. stumpage prices and volume offset to a great extent by higher Northwest U.S. stumpage volume. The minority participation in the earnings of RTLTP will change from approximately 24 percent to approximately 1 percent effective January 1, 2001.

The effective tax rate for the first quarter of 1996 was 30.4 percent compared to 33.3 percent in the 1995 first quarter. The change reflects 1996 recognition of a tax asset related to a prior year transaction following resolution of various uncertainties related to its realization.

Net Income

Net income for the first quarter was \$31 million or \$1.05 per Common Share, up \$6 million or \$0.21 per Common Share from 1995.

Liquidity and Capital Resources

Cash flow from operating activities of \$34 million in the first quarter of 1996 increased from \$15 million in 1995 as a result of higher earnings and reduced working capital requirements. EBITDA (defined as earnings from continuing operations before non-recurring items, interest expense, income taxes and depreciation, depletion and amortization) for the first quarter of 1996 of \$77 million increased \$6 million over the comparable period of 1995. Cash from operations financed capital expenditures of \$31 million, dividends of \$9 million and the repurchase of Common Shares of \$3 million. First quarter ending debt of \$449 million approximated year-end debt and the Company's debt-to-total-capital-ratio decreased one percentage point to 36 percent.

During the first quarter of 1996, the Company began a common share repurchase program to minimize the dilutive effect on earnings per share of its employee incentive stock plans. The number of shares that may be repurchased each year is limited to the greater of 1.5 percent of the Company's outstanding shares or the number of incentive stock shares issued to employees during the year. The Company expects to repurchase approximately 300,000 to 450,000 shares in 1996. In the first quarter, 76,100 shares were repurchased at an average cost of \$35.19 per share with a total cost of approximately \$3 million.

The Company has unsecured credit facilities totaling \$300 million, which are used for direct borrowings and as support for \$115 million of outstanding commercial paper. As of March 31, 1996, the Company had \$185 million of available borrowings under its revolving credit facilities. In addition, through currently effective shelf registration statements filed with the Securities and Exchange Commission, the Company may offer up to \$141 million of new public debt securities. The Company believes that internally generated funds combined with available external financing will enable Rayonier to fund capital expenditures, share repurchases, working capital and other liquidity needs for the foreseeable future.

Item 3. Selected Operating Data

	Three Months Ended March 31,	
	----- 1996	1995 -----
	----	----
Timber and Wood Products		
Log sales		
North America - millions of board feet	51	60
New Zealand - thousands of cubic meters	429	387
Other - millions of board feet	6	2
Timber harvest		
Northwest U.S. - millions of board feet	61	46
Southeast U.S. - thousands of short green tons	570	673
New Zealand - thousands of cubic meters	257	280
Lumber sold - millions of board feet	61	41
Intercompany sales		
Logs - millions of board feet	2	1
Northwest U.S. timber stumpage - millions of board feet	9	7
Southeast U.S. timber stumpage - thousands of short green tons	48	165
Specialty Pulp Products		
Pulp sales		
Chemical cellulose sales - thousands of metric tons	111	105
Fluff and specialty paper pulp sales - thousands of metric tons	82	93
Production as a percent of capacity	93%	100%
Selected Supplemental Information (thousands of dollars)		
New Zealand - Sales	\$25,296	\$24,282
	=====	=====
New Zealand - Operating Income	\$ 1,420	\$ 3,693
	=====	=====

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 18, 1996 the United States Court of Appeals for the Fifth Circuit reversed and remanded for a new trial a jury verdict in favor of Rayonier's wholly-owned subsidiary, Southern Wood Piedmont Company ("SWP"), an intervenor in an action brought by the U.S. Environmental Protection Agency ("EPA") against Marine Shale Processors, Inc. ("MSP"). SWP had shipped over 170,000 tons of materials containing hazardous waste for thermal processing by MSP. The verdict, among other things, found that MSP had produced a product consistent with certain regulations under the Resource Conservation and Recovery Act with material received from SWP so long as that material remained unmixed with material received from other MSP customers. Because such a product cannot be considered a hazardous waste, the verdict helped to limit SWP's potential liability for material sent to MSP under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"). The outcome of the new trial may result in a potential CERCLA liability related to this material for SWP.

Item 6. Exhibits and Reports on Form 8-K

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

SIGNATURE

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

RAYONIER INC. (Registrant)

BY /S/ KENNETH P. JANETTE

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

May 10, 1996

EXHIBIT INDEX

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

5
1,000

3-MOS
DEC-31-1996
JAN-01-1996
MAR-31-1996
5,606

0
130,483
4,308
183,339
395,474
1,310,325

601,396
1,658,983
192,068
447,247
156,752

0
0
633,216

1,658,983
293,980
293,980
225,674

225,674
15,914
0
7,146
45,246
13,769

31,477
0
0
0
31,477
1.05
1.05

RAYONIER INC. AND SUBSIDIARIES

RATIO OF EARNINGS TO FIXED CHARGES

(unaudited)
 (Thousands of dollars)

	Three Months Ended March 31,	
	1996	1995
Earnings:		
Net Income	\$ 31,477	\$ 25,149
Add:		
Income Taxes	13,769	12,528
Minority Interest	8,988	9,300
Amortization of Capitalized Interest	491	411
	54,725	47,388
Adjustments to Earnings for Fixed Charges:		
Interest and Other Financial Charges	7,146	8,535
Interest Factor Attributable to Rentals	361	369
	7,507	8,904
Earnings as Adjusted	\$ 62,232	\$ 56,292
Fixed Charges:		
Fixed Charges above Capitalized Interest	\$ 7,507	\$ 8,904
	433	190
Total Fixed Charges	\$ 7,940	\$ 9,094
Ratio of Earnings as Adjusted to Total Fixed Charges	7.84	6.19