

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 JUNE 30, 1997

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 13-26073291177 Summer Street, Stamford, Connecticut 06905-5529
(Principal Executive Office)

Telephone Number: (203) 348-7000

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

YES (X) NO ()

As of August 5, 1997, there were 28,748,786 Common Shares of the
Registrant outstanding.

RAYONIER INC.
TABLE OF CONTENTS

	PAGE

PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Statements of Consolidated Income for the Three Months and Six Months Ended June 30, 1997 and 1996	1
Consolidated Balance Sheets as of June 30, 1997 and December 31, 1996	2
Statements of Consolidated Cash Flows for the Six Months Ended June 30, 1997 and 1996	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	4-6
Item 3. Selected Operating Data	7
PART II. OTHER INFORMATION	
Item 4. Submission of Matters to a Vote of Security Holders	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 1996 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 June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
SALES	\$ 290,073	\$ 296,667	\$ 550,211	\$ 590,647
Costs and expenses				
Cost of sales	240,360	254,787	450,141	480,461
Selling and general expenses	9,729	9,398	20,234	18,241
Other operating income, net	(1,091)	(467)	(1,712)	(896)
	248,998	263,718	468,663	497,806
OPERATING INCOME	41,075	32,949	81,548	92,841
Interest expense	(6,051)	(7,097)	(11,907)	(14,243)
Interest and miscellaneous income, net	557	1,473	954	2,961
Minority interest	(6,208)	(7,549)	(14,287)	(16,537)
Income before income taxes	29,373	19,776	56,308	65,022
Provision for income taxes	(9,612)	(4,372)	(18,151)	(18,141)
NET INCOME	\$ 19,761	\$ 15,404	\$ 38,157	\$ 46,881
NET INCOME PER COMMON SHARE	\$ 0.67	\$ 0.51	\$ 1.29	\$ 1.56
Weighted average Common Shares	29,533,646	30,030,479	29,622,271	30,060,476

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

ASSETS

	June 30, 1997	December 31, 1996
	-----	-----
CURRENT ASSETS		
Cash and short-term investments	\$ 8,753	\$ 3,432
Accounts receivable, less allowance for doubtful accounts of \$4,804 and \$4,674	119,615	123,435
Inventories		
Finished goods	58,469	68,441
Work in process	20,509	20,128
Raw materials	32,606	39,650
Manufacturing and maintenance supplies	25,217	26,695
Total inventories	136,801	154,914
Timber stumpage purchases	22,398	31,416
Other current assets	12,763	13,223
Deferred income taxes	19,771	23,168
Total current assets	320,101	349,588
OTHER ASSETS	51,179	50,026
TIMBER STUMPAGE PURCHASES	20,982	23,341
TIMBER, TIMBERLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION	495,041	490,298
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, machinery and equipment	1,250,134	1,190,786
Less - accumulated depreciation	541,038	506,308
	709,096	684,478
	-----	-----
	\$1,596,399	\$1,597,731
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 82,308	\$ 87,609
Bank loans and current maturities	3,735	2,243
Accrued taxes	12,320	11,497
Accrued payroll and benefits	13,558	18,340
Accrued interest	5,751	5,154
Other current liabilities	46,924	55,976
Current reserves for dispositions and discontinued operations	27,568	40,003
Total current liabilities	192,164	220,822
DEFERRED INCOME TAXES	102,687	89,484
LONG-TERM DEBT	448,695	430,667
NON-CURRENT RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS	180,886	183,975
OTHER NON-CURRENT LIABILITIES	31,338	30,529
MINORITY INTEREST	18,274	18,864
SHAREHOLDERS' EQUITY		
Common Shares, 60,000,000 shares authorized, 28,789,963 and 29,282,455 shares issued and outstanding	123,941	145,679
Retained earnings	498,414	477,711
	622,355	623,390
	-----	-----
	\$1,596,399	\$1,597,731
	=====	=====

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

	Six Months Ended June 30,	
	1997	1996
OPERATING ACTIVITIES		
Net income	\$ 38,157	\$ 46,881
Non-cash items included in income		
Depreciation, depletion and amortization	47,572	46,687
Deferred income taxes	10,893	4,024
Increase in other non-current liabilities	809	1,315
Change in accounts receivable, inventories and accounts payable	16,632	(10,066)
Decrease in current timber stumpage purchases	9,018	18,266
Decrease (increase) in other current assets	460	(7,291)
Decrease in accrued liabilities	(12,414)	(2,079)
Reduction in reserves for dispositions	0	(2,500)
CASH FROM OPERATING ACTIVITIES	111,127	95,237
INVESTING ACTIVITIES		
Capital expenditures, net of sales, retirements and reclassifications of \$240 and \$671	(76,933)	(88,740)
Expenditures for dispositions and discontinued operations, net of tax benefits of \$5,707 and \$612	(9,817)	(1,069)
Change in timber stumpage purchases and other assets	1,206	(6,057)
CASH USED FOR INVESTING ACTIVITIES	(85,544)	(95,866)
FINANCING ACTIVITIES		
Issuance of debt	139,682	17,200
Repayments of debt	(120,162)	(2,035)
Dividends paid	(17,454)	(17,170)
Repurchase of Common Shares	(23,145)	(6,908)
Issuance of Common Shares	1,407	852
(Decrease) increase in minority interest	(590)	2,571
CASH USED FOR FINANCING ACTIVITIES	(20,262)	(5,490)
CASH AND SHORT-TERM INVESTMENTS		
Increase (decrease) during the period	5,321	(6,119)
Balance, beginning of period	3,432	10,932
Balance, end of period	<u>\$ 8,753</u>	<u>\$ 4,813</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	<u>\$ 14,386</u>	<u>\$ 15,210</u>
Income taxes, net of refunds	<u>\$ 3,693</u>	<u>\$ 6,900</u>

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 and six months ended June 30, 1997 and 1996 were as follows (thousands of dollars):

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
SALES				
TIMBER AND WOOD PRODUCTS				
Log trading and merchandising	\$ 77,573	\$ 91,598	\$ 134,310	\$ 157,358
Timberlands management and stumpage	44,145	51,881	93,659	110,005
Wood products	38,637	27,129	68,300	47,767
Intrasegment eliminations	(5,631)	(12,480)	(11,918)	(23,952)
Total Timber and Wood Products	154,724	158,128	284,351	291,178
SPECIALTY PULP PRODUCTS				
Chemical cellulose	86,850	81,659	167,066	157,276
Fluff and specialty paper pulps	39,963	41,285	83,157	97,323
Total Specialty Pulp Products	126,813	122,944	250,223	254,599
Intersegment eliminations	(353)	(816)	(978)	(2,412)
Total before dispositions	281,184	280,256	533,596	543,365
Dispositions	8,889	16,411	16,615	47,282
Total sales	\$ 290,073	\$ 296,667	\$ 550,211	\$ 590,647
OPERATING INCOME				
Timber and Wood Products	\$ 35,044	\$ 32,466	\$ 68,691	\$ 69,649
Specialty Pulp Products	9,024	8,185	21,411	33,751
Corporate and other	(4,203)	(3,693)	(8,347)	(6,189)
Intersegment eliminations	39	141	151	206
Total before dispositions	39,904	37,099	81,906	97,417
Dispositions	1,171	(4,150)	(358)	(4,576)
Total operating income	\$ 41,075	\$ 32,949	\$ 81,548	\$ 92,841

RESULTS OF OPERATIONS**SALES AND OPERATING INCOME**

Sales of \$290 million for the second quarter of 1997 were \$7 million lower than the second quarter of 1996 while operating income of \$41 million was \$8 million or 25 percent higher than the same period last year. The increase in operating income resulted primarily from the absence of losses from the now-closed Port Angeles, WA pulp mill, stronger lumber markets and an improvement in log trading margins. Sales for the six months ended June 30, 1997 of \$550 million were \$40 million or 7 percent lower than the prior year due to the closure of the Port Angeles pulp mill and lower export log and stumpage prices. Operating income of \$82 million for the six month period was \$11 million or 12 percent less than the prior year as a result of lower pricing for fluff pulp.

Timber and Wood Products

Timber and Wood Products' sales for the three and six month periods ended June 30, 1997 were slightly below last year's results reflecting lower Northwest U.S. and New Zealand stumpage prices partially offset by stronger lumber prices and volumes. Operating income for the quarter of \$35 million was 8 percent higher than the prior year as increased lumber volumes and prices, along with improved log trading margins, offset declines in stumpage prices. Year to date operating income of \$69 million was comparable to \$70 million for the same period of 1996.

Log trading and merchandising sales declined from 1996 due to lower North American export log prices and lower New Zealand log volumes resulting from weakness in Asian wood markets. Operating income improved slightly from 1996, resulting from more favorable margins.

Timberlands management and stumpage sales and operating income were below last year's results due to lower Northwest U.S. stumpage prices, reflecting the effect of weak export and domestic log markets at the time the related stumpage contracts were initiated. New Zealand stumpage prices for the second quarter and year to date were lower than in the comparable periods of 1996.

Wood products results continued to improve due to increased capacity and productivity along with higher lumber prices and stronger volumes.

Specialty Pulp Products

Sales of Specialty Pulp Products (from the Company's ongoing Jesup and Fernandina mills) were \$127 million compared to \$123 million for last year's second quarter. Operating income was \$9 million, \$1 million above the 1996 second quarter as a result of higher volumes and improved production costs. Sales for the first six months of 1997 were \$250 million compared to \$255 million for the prior period and operating income was \$21 million, a decrease of \$12 million or 37 percent from 1996. Results were below the prior year primarily due to lower fluff pulp prices partly offset by higher sales volumes and lower production costs.

Dispositions

Dispositions reflect results of the Company's Port Angeles mill, permanently closed in February 1997, with product sales coming from inventory run-off. Improved results over 1996 primarily reflect the absence of operating losses after the mill's closure.

OTHER INCOME / EXPENSE

Interest expense was \$12 million for the first six months of 1997, \$2 million favorable to 1996, reflecting higher capitalized interest in connection with the Company's New Zealand MDF facility and a lower average debt level.

Interest and miscellaneous income, net declined \$2 million from the prior year which had included mark-to-market gains on forward exchange contracts. The Company uses forward contracts to mitigate the impact of New Zealand /U.S. dollar exchange rate fluctuations on New Zealand operating expenses.

Minority interest in the earnings of Rayonier's subsidiary, Rayonier Timberlands, L.P. (RTLTP) was \$2 million less than the first half of 1996, primarily reflecting lower Northwest U.S. stumpage prices. 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 of 32.2 percent for the first half of 1997 is higher than the first half 1996 effective rate of 27.9 percent due to the absence of certain tax benefits recognized in 1996 that pertained to prior years.

NET INCOME

Net income for the second quarter was \$20 million or \$0.67 per Common Share, an increase of \$4 million or \$0.16 per Common Share from the 1996 second quarter. Net income for the six months ended June 30, 1997 was \$38 million or \$1.29 per Common Share, a decrease of \$9 million or \$0.27 per Common Share from last year's results.

OTHER ITEMS

Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share (EPS), issued in February, 1997 establishes standards for computing and presenting EPS and is effective for both interim and annual periods ending after December 15, 1997. SFAS No. 128 does not permit early application of its provisions. The statement replaces the presentation of primary EPS with a

presentation of basic EPS, as defined. The Company's pro forma basic EPS determined in accordance with SFAS No. 128 was \$0.68 and \$0.52 for the three months ended June 30, 1997 and 1996, respectively, and \$1.31 and \$1.58 for the six months ended June 30, 1997 and 1996, respectively. Pro forma diluted EPS would be unchanged from the currently reported income per Common share.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities of \$111 million for the first six months of 1997 increased \$16 million from 1996 as a result of reduced working capital requirements partially offset by lower earnings. EBITDA (defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense, income taxes and depreciation, depletion and amortization) for the first six months of 1997 of \$116 million decreased \$10 million from the comparable period of 1996. Cash from operating activities helped to finance capital expenditures of \$77 million, dividends of \$17 million and repurchase of Common Shares for \$23 million. In connection with the previously announced one-year increase in the Company's share repurchase program to \$50 million for 1997, the Company repurchased 579,100 shares during the first six months at an average cost of \$39.97. Over the same period of 1996, the Company purchased 191,700 shares at an average cost of \$36.03 per share for \$7 million. Second quarter ending debt was \$452 million and the debt-to-capital-ratio was 42.1 percent compared to 41.0 percent at December 31, 1996.

During the second quarter of 1997, the Company issued approximately \$101 million of securities to an investment bank in the United Kingdom. The proceeds of this financing were used to retire commercial paper and bank loans. Due to anticipated United Kingdom tax law changes that would increase the effective cost of this financing, the Company refinanced those securities in July 1997 with the issuance of additional commercial paper.

The Company has unsecured credit facilities totaling \$300 million, which are used for direct borrowings and as support for \$50 million of outstanding commercial paper. As of June 30, 1997, the Company had \$250 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.

SAFE HARBOR

Except for the information about past operations and results, the comments in this report are forward-looking and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Changes in the following important factors, among others, could cause actual results to differ materially from those expressed in the forward-looking statements: competitive products and pricing, as well as fluctuations in demand, particularly for specialty fluff pulps and for export and domestic logs and wood products; the impact of such market factors on the Company's sales in the United States and New Zealand of timber stumpage; production costs for specialty pulps, particularly for raw materials and chemicals; governmental policies and regulations affecting the environment, import and export controls and taxes; and interest rate and currency movements.

ITEM 3. SELECTED OPERATING DATA

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
TIMBER AND WOOD PRODUCTS				
Log sales				
North America - million board feet	75	83	120	134
New Zealand - thousand cubic meters	288	396	525	766
Other - thousand cubic meters	58	21	191	55
Timber sales				
Northwest U.S. - million board feet	49	53	108	114
Southeast U.S. - thousand short green tons	534	537	1,144	1,107
New Zealand - thousand cubic meters	288	291	499	548
Lumber sold - million board feet	89	73	163	134
Intercompany sales				
Logs - million board feet	0	2	1	4
Northwest U.S. timber stumpage - million board feet	4	4	10	13
Southeast U.S. timber stumpage - thousand short green tons	13	28	38	76
New Zealand - thousand cubic meters	141	260	271	458
SPECIALTY PULP PRODUCTS				
Pulp sales (a)				
Chemical cellulose sales - thousand metric tons	100	84	189	163
Fluff and specialty paper pulp sales - thousand metric tons	80	86	161	165
Production as a percentage of capacity	98.4%	100.0%	98.6%	99.9%
SELECTED SUPPLEMENTAL INFORMATION (millions of U.S. dollars)				
New Zealand - Sales	\$ 22.4	\$ 25.7	\$ 39.6	\$ 51.0
New Zealand - Operating Income	\$ 2.2	\$ 2.0	\$ 2.4	\$ 3.4
a) Excludes Port Angeles statistics reflected below:				
Chemical cellulose sales - thousand metric tons	9	16	18	48
Fluff and specialty paper pulp sales - thousand metric tons	1	5	5	8

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of Shareholders of the Company was held on May 16, 1997. At that meeting, five directors were elected as follows (there were no broker non-votes with respect to the election of directors):

	Votes For -----	Votes Withheld -----
Director of Class II, Term Expires in 1999:		
Carl S. Sloane	26,727,964	89,839
Director of Class III, Term Expires in 2000:		
Rand V. Araskog	26,689,548	128,255
Donald W. Griffin	26,728,996	88,807
Wallace L. Nutter	26,705,593	112,210
Nicholas L. Trivisonno	26,729,479	88,324

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See Exhibit Index.

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

SIGNATURE

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

RAYONIER INC. (Registrant)

BY KENNETH P. JANETTE

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

August 12, 1997

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.
10.1	Sixth Amendment to the Rayonier Investment and Savings Plan for Salaried Employees	Filed herewith
10.2	Other 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

SIXTH AMENDMENT TO THE
RAYONIER INVESTMENT AND SAVINGS PLAN
FOR SALARIED EMPLOYEES

1. Section 10.3(d)(ii) of the Rayonier Investment and Savings Plan for Salaried Employees (the "Plan") is hereby amended to read in its entirety as follows, effective as of February 12, 1996:

"(ii) Provided the value of the Member's or Deferred Member's vested Accounts is at least \$3,500, and the first payment is at least \$1,000, by payment in annual cash installments over the Member's or Deferred Member's life expectancy or the joint life expectancies of the Member or Deferred Member and the Member or Deferred Member's spouse, as actuarially determined at the time of commencement of the initial installment and which may be redetermined annually thereafter. The amount of such installments will be based on the value of the Member's or Deferred Member's Accounts as of the Valuation Date coinciding with or next following the date of receipt by the Savings Plan Administrator of a properly completed application as transmitted by the Company and each anniversary thereof, and shall be determined by multiplying such value by a fraction, the numerator of which shall be one and the denominator of which shall be the number of years and fraction thereof of the Member's or Deferred Member's life expectancy (or the joint life expectancies of the Member or Deferred Member and the Member's or Deferred Member's spouse) based on age at the time of the initial installment (if life expectancy is not to be recalculated) or at the time the installment is payable (if life expectancy is to be recalculated). Any Member or Deferred Member who elects annual cash installment payments over the Member's or Deferred Member's life expectancy or over the joint life expectancies of the Member or Deferred Member and the Member's or Deferred Member's spouse may not thereafter elect to receive in a lump sum the remaining value of the Accounts."

Dated: February 26, 1996

John P. O'Grady
Senior Vice President
Human Resources

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

	Six Months Ended June 30,	
	1997	1996
Earnings:		
Net Income	\$38,157	\$46,881
Add:		
Income Taxes	18,151	18,141
Minority Interest	14,287	16,537
Amortization of Capitalized Interest	536	982
	-----	-----
	71,131	82,541
Adjustments to Earnings for Fixed Charges:		
Interest and Other Financial Charges	11,907	14,243
Interest Factor Attributable to Rentals	1,094	722
	-----	-----
	13,001	14,965
	-----	-----
EARNINGS AS ADJUSTED	\$84,132	\$97,506
	=====	=====
Fixed Charges:		
Fixed Charges above	\$13,001	\$14,965
Capitalized Interest	3,076	865
	-----	-----
TOTAL FIXED CHARGES	\$16,077	\$15,830
	=====	=====
RATIO OF EARNINGS AS ADJUSTED TO		
TOTAL FIXED CHARGES	5.23	6.16
	=====	=====

5
1,000

6-MOS

DEC-31-1997	
JAN-01-1997	
JUN-30-1997	8,753
	0
	124,419
	4,804
	136,801
	320,101
	1,250,134
	541,038
	1,596,399
192,164	
	448,695
	0
	0
	123,941
	498,414
1,596,399	
	550,211
	550,211
	450,141
	450,141
	31,855
	0
	11,907
	56,308
	18,151
38,157	
	0
	0
	0
	38,157
	1.29
	1.29