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PRESENTATION

Operator

Welcome, and thank you for joining Rayonier's First Quarter 2020 Teleconference Call. (Operator Instructions) Today's conference is being recorded. If you have any objections, you may disconnect at this time.

Now I will turn the meeting over to Mr. Mark McHugh, Senior Vice President and CFO. Sir, you may begin.

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

Thank you, and good morning. Welcome to Rayonier's investor teleconference covering first quarter earnings. Our earnings statements and financial supplement were released yesterday afternoon and are available on our website at rayonier.com.

I would like to remind you that in these presentations, we include forward-looking statements made pursuant to the safe harbor provisions of federal securities laws. Our earnings release and Form 10-K filed with the SEC list some of the factors that may cause actual results to differ materially from the forward-looking statements we may make. They are also referenced on Page 2 of our financial supplement.

Throughout these presentations, we will also discuss non-GAAP financial measures which are defined and reconciled to the nearest GAAP measure in our earnings release and supplemental materials.

With that, let's start our teleconference with opening comments from Dave Nunes, President and CEO. Dave?

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

Thanks, Mark, and good morning, everyone. First, I'll make some high-level comments before turning it back over to Mark to review our consolidated financial results. Then we'll ask Doug Long, our Senior Vice President of Forest Resources, to comment on our U.S. and New Zealand timber results. And following the review of our timber segments, Mark will discuss our Real Estate results as well as our outlook for the remainder of 2020.

Before discussing our results for the quarter, I'd like to briefly address our response to COVID-19 as well as provide an update on the Pope Resources merger and recent financing transactions. First, on behalf of our company, I'd like to extend our sympathies and best wishes to all of those who have been impacted by this global pandemic. Here at Rayonier, we've responded by prioritizing the health and safety of our employees and contractors as well as their families while working to ensure business continuity. In mid-March, we implemented a work-from-home model for all office employees and instituted enhanced safety guidelines for field employees in an effort to do our part as a company to mitigate the spread of COVID-19.

On March 19, the U.S. Department of Homeland Security issued a memorandum, providing guidance on the essential critical infrastructure workforce, which designated the forest products industry as a critical infrastructure industry with a responsibility to continue operating during the response to the COVID-19 emergency. This designation was important to allow our industry to continue to supply critical items such as tissue paper, cardboard boxes and construction-grade lumber to end users as we manage through this crisis.

In New Zealand, however, the government instituted more stringent lockdown measures across a broader range of businesses, including forestry, beginning in late March. New Zealand ended these lockdown measures effective April 28, and we are currently in the process of restarting our operations there on a phased basis.

Overall, while this has certainly been a tumultuous period, we believe we are managing through it well. I'm very proud of how our employees have answered the call to keep our business running amid this pandemic while observing the necessary social distancing and safety protocols to mitigate the further spread of COVID-19.

On a more positive note, our previously announced merger with Pope Resources is proceeding as planned, and we expect to close the transaction on May 8, pending a successful vote of Pope's unitholders at a special meeting scheduled for May 5. I'm also pleased to report that we recently completed a series of transactions to secure financing for the cash component of the merger consideration, which Mark will discuss later in more detail. Additionally, during the first quarter, we closed a large disposition, consisting of roughly 60,000 -- 67,000 acres in Mississippi for net proceeds of $116 million. Taken together, these transactions significantly strengthened our balance sheet, bolstered our liquidity position and completed the financing required to close the Pope acquisition. I'm extremely proud of our team for their dedication and focus on completing these transactions over the last several weeks, especially given the unprecedented market conditions that we were facing.

I'd also like to thank the team at Pope for their perseverance as we worked through our integration planning process, primarily via phone calls and video conferencing. I can't speak highly enough about their professionalism in the midst of a very unusual circumstances, and I'm very excited to welcome them into our Rayonier family. Working through this integration process has really reinforced the strong cultural fit between our respective companies and we're all very excited about the future prospects of our combined organization.

With that, I'd like to now switch gears to briefly discuss our quarterly results. For the first quarter, we reported adjusted EBITDA of $47 million and pro forma net loss of $300,000 or roughly breakeven EPS. Overall, I'm pleased with how our team navigated challenging market conditions amid the COVID-19 pandemic to deliver strong operational results across our timber segments.

Our Southern Timber segment reported adjusted EBITDA of $33 million for the quarter, which was below the prior year quarter, but well above the last 3 quarters and generally in line with our expectations and prior guidance. We enjoyed another strong first quarter volume result, driven by continued strong pulpwood demand. Overall, our Southern Timber segment continues to enjoy very high margins and relatively low cash flow volatility.

In our Pacific Northwest Timber segment, we achieved adjusted EBITDA of $10 million, which is our strongest quarterly result since the second quarter of 2018. While delivered pricing stayed relatively flat versus 2019, we enjoyed some very strong stumpage sales early in the quarter, reflecting a significant pickup in domestic mill demand. Market conditions understandably deteriorated towards the end of the quarter with COVID-19-related mill shutdowns, so we're very happy to have taken advantage of these strong stumpage sale opportunities early in the year.

In our New Zealand Timber segment, we reported adjusted EBITDA of $10 million, which represents a significant decline from the prior year quarter. The New Zealand Timber segment experienced significant headwinds in the export market in Q1 as China instituted strict lockdown measures to contend with the impacts of COVID-19, which significantly limited the flow of export logs. Later in the quarter as China reopened its markets and demand came back online, New Zealand implemented its own lockdown measures to contain the spread of COVID-19, which further limited our ability to move volume.

As discussed earlier, we're currently in the process of restarting operations in New Zealand and are encouraged by the near-term demand response.

Lastly, our Real Estate segment reported first quarter adjusted EBITDA of negative $1 million as we sold fewer than 1,000 acres during the quarter, excluding our large disposition in Mississippi. While this result is certainly below our average run rate expectations for the year, we had anticipated a very light first quarter in real estate due to the timing of closings, and we further expect a significant pickup in transaction volume in the second quarter.

With that, let me turn it back over to Mark for a detailed review of our consolidated financial results.

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

Thanks, Dave. Let's start on Page 5 with our financial highlights. Sales for the quarter totaled $259 million, while operating income was $39 million and net income attributable to Rayonier was $26 million or $0.20 per share. Pro forma net loss was $300,000, which translates to breakeven EPS for the quarter. Pro forma items this quarter included a $29 million gain from a large disposition and $2.5 million of costs related to the Pope Resources merger.

First quarter adjusted EBITDA of $47 million was below the prior year quarter, primarily due to lower results in our Southern Timber, New Zealand Timber and Real Estate segments, partially offset by favorable results in our Pacific Northwest Timber segment. As a reminder, adjusted EBITDA in our Real Estate segment excludes the impact of the large disposition that we closed during the quarter.

On the bottom of Page 5, we provide an overview of our capital resources and liquidity at quarter end as well as a comparison to the prior period. Our cash available for distribution, or CAD, was $27 million compared to $62 million in the prior year period, primarily due to lower adjusted EBITDA, higher capital expenditures and higher cash interest paid, which were partially offset by lower cash taxes. A reconciliation of CAD to cash provided by operating activities and other GAAP measures is provided on Page 7 of the financial supplement.

We closed the quarter with $132 million of cash and roughly $1.1 billion of debt. Our net debt of $925 million represented 23% of our enterprise value based on our closing stock price at quarter end. As Dave noted, during the month of April, we completed a series of financing transactions in preparation for the closing of the Pope Resources acquisition. Specifically, we increased the size of our revolving credit facility from $200 million to $300 million, and extended the maturity date to 2025.

We also extended the maturity date of our existing $350 million term loan facility from August 2024 to April 2028. Lastly, we entered into a new 5-year $250 million term loan facility to finance the Pope transaction. This term loan facility was syndicated through the Farm Credit System and is eligible for patronage payments. Taking into account the facility's current spread over LIBOR, estimated patronage payments and interest rate swaps that we entered into in anticipation of this financing, we expect that the all-in cost of this facility will be approximately 3%.

We're very pleased to have completed these transactions on attractive terms amidst a very challenging and uncertain economic backdrop. With these facilities in place, along with the large disposition that we closed during the first quarter, we now have ample liquidity to fund the cash portion of the Pope Resources merger consideration, refinance Pope's existing debt and pay fees and expenses associated with the transaction. Pro forma for the financings and the closing of the Pope transaction, we expect to have available liquidity of over $300 million.

I'll now turn the call over to Doug to provide a more detailed review of our Timber results.

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Thanks, Mark. Good morning. Let's start on Page 8 with our Southern Timber segment. Adjusted EBITDA in the first quarter of $33 million was $5 million favorable compared to the prior quarter and $8 million unfavorable compared to the prior year quarter. First quarter harvest volume of approximately 1.8 million tons was 17% higher compared to the prior quarter and 5% lower compared to the prior year quarter. In general, we often experienced stronger demand in the first quarter as markets pick up on the holidays and as weather often limits supply to those landowners with operable ground conditions.

Although this winter was significantly drier than the prior year period, the first quarter of 2020 was still a relatively strong quarter for removals. We also made the decision to pull forward some production where possible due to the uncertainty over the near-term impacts of the COVID-19 pandemic. The average pine pulpwood stumpage price of $16.05 per ton was 8% favorable compared to the prior quarter and 11% unfavorable compared to the prior year quarter. The increase in price relative to the prior quarter was a combination of reduced removals from our lowest price market and improved supply demand dynamics in other markets. The decrease in price relative to the prior year quarter was driven by increased availability of log supply due to the relatively drier ground conditions.

The average pine sawtimber stumpage price of $26.67 per ton was 15% and 1% favorable compared to the prior quarter and prior year quarter, respectively. The increase in pine sawtimber pricing relative to the prior quarter was due to increased demand for grade logs, for large dimensional lumber, plywood and engineered products. This reflects the growth in the housing market that we had experienced at the beginning of the quarter.

First quarter non-timber income of $6 million was $4 million below the prior year quarter due to a reduction in pipeline easements. It's important to note that this comparison is being made against a record high year for our non-timber income business in 2019.

Now moving to our Pacific Northwest Timber segment on Page 9. Adjusted EBITDA of $10 million was $1 million and $7 million favorable compared to the prior quarter and the prior year quarter, respectively. First quarter harvest volume of 476,000 tons was 14% and 68% higher compared to the prior quarter and the prior year quarter, respectively. The volume increase was driven primarily by a significant increase in lump sum stumpage sales and delivered log sales to meet improved domestic sawlog demand. The average delivered sawtimber price of $74 -- $75.4 per ton was 4% unfavorable to both the prior quarter and the prior year quarter. The decline relative to both periods was primarily due to an increased mix of chip-n-saw, with chip-n-saw removals increasing by 13% during the quarter.

It's worth noting that sawtimber pricing, excluding chip-n-saw, on an MBF basis, was up 6% from the prior quarter and flat compared to the prior year quarter. Overall, we saw quite a bit of volatility in market sentiment as the quarter progressed. Early in the first quarter, we experienced strong demand and pricing driven by favorable housing data. But by late February, market sentiment had turned negative due to growing concern about the COVID-19 situation. Then towards the end of the quarter, demand for export timber picked up as China tariffs were waived. Exports from New Zealand halted due to their lockdown and European spruce exports slowed down. We generally expect that market conditions are going to continue to be choppy as these dynamics evolve, particularly given the different regional responses to the pandemic.

The average delivered pulpwood price of $38.11 per ton was 3% and 16% unfavorable compared to the prior quarter and the prior year quarter, respectively. The supply of pulp chips on the open market continues to keep prices lower versus the prior year period, particularly in Oregon. However, as lumber mills curtailed production towards mid-March, we began to experience increased demand for pulp logs in Washington.

Page 10 shows results and key operating metrics for our New Zealand Timber segment. Adjusted EBITDA in the first quarter of $10 million with $6 million and $12 million unfavorable compared to the prior quarter and the prior year quarter, respectively. First quarter harvest volume of 481,000 tons was 30% and 20% lower than the prior quarter and the prior year quarter, respectively, as a result of significantly reduced demand due to the COVID-19 pandemic, which first impacted China export markets beginning in January and eventually led to a lock down in New Zealand by quarter end.

Log processing mills in China were closed for an extended period of time after the Chinese New Year, and then were slow to restart as employees struggled to get back from their hometowns due to travel restrictions, which led to growth in port inventories to over 7 million cubic meters. Our New Zealand team did an incredible job of quickly responding to the situation in China, as we reduced production to 80% of plan and averted sales into domestic markets and export destinations other than China. In late March, the New Zealand government instituted lockdown measures on all nonessential businesses, including forestry. However, New Zealand recently lifted these measures effective April 28, and we are currently in the process of reopening our operations on a phased basis.

The average delivered export sawtimber price of $94.86 per ton was 8% and 18% unfavorable compared to the prior quarter and the prior year quarter, respectively, which reflects the reduction in demand due to the COVID-19 pandemic. The average domestic sawtimber price of $69.97 per ton in U.S. dollar terms was up 1% compared to the prior quarter, but 16% unfavorable compared to the prior year quarter, partially due to the fall in the New Zealand, U.S. exchange rate but also due to the impact of declining export prices. Note that domestic pricing tends to lag behind export pricing. Excluding the impact of foreign exchange rates, domestic pricing in New Zealand dollars was 1% and 12% unfavorable compared to the prior quarter and prior year quarter respectively.

The average domestic pulpwood price of $33.84 per ton was 3% and 14% unfavorable compared to the prior quarter and the prior year quarter, respectively, driven by the same factors as domestic sawtimber.

In our trading segment, we generated breakeven adjusted EBITDA in the first quarter, which was $500,000 unfavorable compared to the prior year quarter due to challenging export market conditions that we've already discussed.

I'll now turn it back over to Mark to cover our Real Estate results.

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

Thanks, Doug. Now moving on to our Real Estate segment results. As highlighted on Page 11, first quarter real estate sales totaled $119 million on roughly 68,000 acres sold, which included a large disposition in Mississippi consisting of roughly 67,000 acres. Excluding this large disposition, first quarter sales totaled $2.4 million on 624 acres sold at an average price of $3,800 per acre, all in our Rural sales category. Real Estate segment adjusted EBITDA for the quarter was negative $1 million. As discussed on our last earnings call, we had anticipated very light transaction activity in our Real Estate segment during the first quarter due to the timing of closings.

Now moving on to our outlook for the remainder of the year. As we noted in our earnings release, we expect that market conditions over the next several quarters will continue to be very challenging and volatile due to the impact of the COVID-19 pandemic. Due to these continuously evolving conditions, we are updating our prior 2020 financial guidance based on our current outlook for the balance of the year.

Page 13 of our financial supplement provides our updated financial guidance by segment for 2020 and Schedule G of our earnings release provides a reconciliation of our adjusted EBITDA guidance to net income attributable to Rayonier and EPS. Please note that our updated full year 2020 guidance does not include the impact of our anticipated merger with Pope Resources. We expect to update our guidance for the impact of the Pope transaction on our second quarter earnings call following the expected closing of the transaction.

For full year 2020, excluding the impact of the Pope Resources transaction, we now anticipate full year net income attributable to Rayonier of $33 million to $46 million, pro forma net income of $7 million to $20 million, EPS of $0.26 to $0.36, pro forma EPS of $0.05 to $0.15 and adjusted EBITDA of $200 million to $230 million.

In our Southern Timber segment, we expect full year harvest volumes of 5.7 million to 6.0 million tons due to the disposition of 67,000 acres in Mississippi as well as the reduction of harvest volumes in certain markets impacted by weaker demand resulting from the COVID-19 pandemic. We further expect that Southern Timber pricing will be relatively flat versus 2019 average pricing as continued strong pulpwood demand, favorable geographic mix and increased export demand generally offset weaker domestic sawtimber demand. Overall, we now expect 2020 adjusted EBITDA in our Southern Timber segment of $100 million to $106 million.

In our Pacific Northwest Timber segment, we expect full year harvest volumes of 1.3 million to 1.4 million tons based on our strong start to the year, coupled with improved export demand, which has partially offset declines in domestic sawtimber demand due to mill curtailments. We further expect the Pacific Northwest pricing will be somewhat volatile and dependent on the duration of domestic mill curtailments as well as potential changes in China export demand and the availability of competitive supply, as different regions cope with the impact of COVID-19. Overall, we now expect 2020 adjusted EBITDA in our Pacific Northwest Timber segment of $17 million to $20 million.

In our New Zealand Timber segment, full year harvest volumes are expected to decrease to between 2.1 million and 2.3 million tons, primarily as a result of the shutdown of all nonessential activity in New Zealand during parts of March and April. We expect some near-term upside in New Zealand pricing resulting from pent-up demand following the shutdown, while longer-term pricing will be driven by the timing of resumed economic activity and the resultant level of domestic and export demand. Overall, we now expect 2020 adjusted EBITDA in our New Zealand Timber segment of $46 million to $52 million.

Lastly, in our Real Estate segment, we anticipate a significant slowdown in improved and unimproved development sales for the balance of the year due to the impacts of COVID-19, although we continue to expect reasonably strong Rural and timberland sales activity based on our current pipeline of transactions. Overall, we now expect 2020 adjusted EBITDA in our Real Estate segment of $60 million to $75 million.

Details on other elements of our financial guidance, including CapEx, DD&A, noncash basis of land sold, interest expense, taxes and minority interests are provided on Page 13 of the financial supplement and Schedule G of the earnings release. I'd also like to note that due to the market uncertainty surrounding COVID-19, we have added new supplemental cost disclosures with respect to our timber segments that appear in Section 3 of our financial supplement. This data should allow our investors and analysts to run more accurate EBITDA sensitivities under a range of different volume and pricing scenarios.

Lastly, I'll offer a few comments on our balance sheet and liquidity position before turning it back to Dave for closing remarks. Following the closing of the Pope Resources transaction, we expect to have a combination of cash and revolving credit capacity of over $300 million, which we believe provides us with ample liquidity and financial flexibility as we contend with the near-term challenges associated with the COVID-19 pandemic. Our nearest debt maturity is in April 2022 when our $325 million senior notes mature. Our next debt maturity thereafter is the $250 million term loan maturing in 2025. Overall, our weighted average cost of debt is approximately 3.2%, and we've entered into interest rate hedges to swap all of our funded term debt to fixed.

We have 2 financial covenants in our credit facilities, a leverage ratio calculated as consolidated debt to consolidated debt plus net worth, and an interest coverage ratio calculated as consolidated EBITDA to consolidated interest expense. Under our credit agreement, we must maintain a leverage ratio of no more than 65% and an interest coverage ratio of no less than 2.5x. As of March 31, our calculated leverage ratio was 43% and our calculated interest coverage ratio was over 10x. So we have plenty of headroom within both covenants, and we expect to maintain plenty of headroom even with the anticipated decline in adjusted EBITDA in 2020 and the anticipated closing of the Pope Resources transaction next week.

In summary, while we're certainly not immune to the market challenges associated with the COVID-19 pandemic, we feel very confident in our ability to contend with these challenges, given our strong balance sheet and overall financial flexibility.

I'll now turn the call back to Dave for closing comments.

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

Thanks, Mark. The COVID-19 pandemic is an unprecedented challenge for the global economy and its near-term and longer-term impacts remain largely uncertain. Nobody yet knows how long this pandemic and its economic impacts will last, but as we sit here today, we certainly expect continued market dislocation and volatility over the next several quarters. Despite these significant challenges ahead, we remain keenly focused on executing against our strategic priorities and achieving our mission of generating industry-leading returns and building long-term value per share.

In conclusion, I believe that Rayonier is well positioned to weather this storm, specifically, I've seen firsthand the dedication and resiliency that our people have demonstrated through this crisis. And I'm further extremely confident in the strength of our balance sheet, liquidity position and financial flexibility. As a pure-play timberland REIT, we enjoy strong margins and substantially less volatility than downstream manufacturing businesses. And we have a geographically diversed portfolio that further mitigates our exposure to any single region or product category. We expect that this diversity and optionality of our portfolio will be further enhanced when we close the Pope Resources merger transaction next week following the successful vote of Pope's unitholders.

When we held our last earnings call in early February, we were anticipating a very busy first quarter given the pending Pope Resources transaction as well as the financing and other portfolio management moves that were already well underway. However, the quarter became exponentially busier and more challenging as a result of the COVID-19 pandemic and the ensuing economic fallout. I want to reiterate how proud I am of our employees and how they responded and continue to manage through this crisis with poise and determination. I feel very fortunate to be surrounded by such exceptional talent and dedication at all levels of the organization.

This concludes our prepared remarks, and we'd like to now turn it back to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Collin Mings with Raymond James.

Collin Philip Mings ***Raymond James & Associates, Inc., Research Division - Analyst***

Dave, to start, can you elaborate on where the restarting of your New Zealand operations stand and the phase process of ramping backup activity you referenced, what does that mean for volumes near term? And along those lines, you referenced really a couple of times in the prepared remarks as well as in the press release that there could be some pricing tension in the market due to pent-up demand. Can you just elaborate on that?

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

Yes, I'm not going to turn that over to Doug, who's a little closer to that to address.

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Collin, yes, so as of Tuesday, basically, New Zealand was allowed to reopen. And we were essentially allowed to reopen at full force, but for safety reasons, after people having been off for a month, we took a staged approach. And so really, this week, we're operating in the kind of 80%, 90%, trying to gear up, make sure that people who're on work were safe after month being off work; and two, could handle the new guidelines around COVID. So it's -- when we say stage and phase, it's really a matter of safety, and so this first week we're working on that. Once our staff and our contractors feel that they can safely operate underneath the new guidelines and social distancing and are back to work and everybody's used to their jobs again, then we actually look to make up some of the production that we lost over the last -- really since middle of January on the export side. So our contractors, we've reduced them to 80% production kind of in February and parts really starting late January. So there's some opportunity there. So we do expect volumes to pick back up as we move in over the next couple of weeks. So we look to actually produce above 100% if we can do that safely.

Both domestically and export side, there's a lot of demand. So there's -- as I mentioned, the pent-up demand domestically. Obviously, they've been without logs for a month, and so they're looking for logs. We did have some logs that were cut in the forest and on the skid sites, and so we're able to quickly move those to the domestic customers. And then there were some logs still at the ports also. And so we have a couple of shipments there leaving early and within the next week or 2, but then should really not take 4 to 6 weeks for New Zealand supply chain to get kind of back up and fully running and have those export yards and -- report some fully operational.

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

Yes. And Collin, if I could just add to that, kind of keep in mind that in the backdrop of the shutdown in New Zealand, you had China kind of getting back into operation. And so following the Chinese New Year and the build in inventory associated with their COVID lockdown where inventories grew to 7 million cubic meters. As they started to operate, we've seen those inventories come down to roughly 5.5 million cubic meters. A lot of that, we believe, initially was restocking of log inventories at mills. And so as a result of that, we have seen some pricing pressure. And keep in mind as well that a large portion of inventory was coming from the European spruce volume that, as it aged, it deteriorated and has become sort of less economically viable to process. And so that's put a lot of pressure. Doug touched on this in his prepared remarks, just put a lot of pressure on the need for green or fresh wood. And so we're seeing that translate really in all 3 of our segments right now.

Collin Philip Mings ***Raymond James & Associates, Inc., Research Division - Analyst***

That's helpful detail there, Doug and Dave, maybe keep that up, and it also serves as really a segue to my next question which is just focused on the Pacific Northwest. And again, you elaborated a little bit there. But just, again, in the prepared remarks, a lot of focus on just the fact that you've seen China demand has improved a bit given the tariff relief and less supply again coming from Europe and New Zealand. But you also cited choppy market conditions going forward. Maybe just talk a little bit more about that. I appreciate the update on the inventory situation in China, but just how long -- what's your latest understanding on how long this tariff relief might be in place? And how do you think about that push and pull as it relates to the export markets versus domestic markets in the Pacific Northwest right now?

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

Yes, I'll start, and then Doug can tag on if I've missed anything. But -- so keep in mind that in the course of Q1, we saw quite an evolving market in the Northwest. As we started the year, we had a strong uptick in domestic demand from our domestic mills really in response to strong housing markets. And then as we saw China come back online towards the end of the quarter, we started to see a pickup in demand on the export side. And keep in mind that in the Q1, we only shipped 2% of our volume into the export market. And so the export market, by and large, was not present in Q1. But I'd say the preparation for export shipments was starting to pick up as we were into the last month of the quarter. But that was also occurring at the same time that we saw a number of our domestic mills taking downtime. So you've got a lot of moving parts that have had some offset, hence, our reference to expected volatility in that market going forward. One thing that we have seen really across North America is some pretty aggressive downtimes taken by sawmills throughout -- both U.S. and Canada. And we've seen those effective operating rates go up to a level that's much higher than historically has been the case. And recognize as well that a higher proportion of mill downtime was taken out of Western Canada. And so it will be interesting to see as we go forward, sort of how that plays out in our particular market footprints. I don't know, Doug, if you have anything to add to that.

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Yes. No, I would agree. I mean, when Dave references the lumber curtailments, we've seen approximately 15 billion board feet of annualized sawmill capacity reductions or closures announced to the COVID pandemic. That's equivalent to roughly 1 million single-family housing starts on an annual basis. So we -- to kind of Dave's point, we think that the amount of curtailments was rightsized and actually we're seeing a demand-capacity ratio running at about 95%. So kind of suggests that we may have seen the curtailments.

One thing I'd add to kind of the export demand is, it's an interesting thing that's -- this is probably more long term, although we're seeing short term some with it, too, is that countries are definitely rethinking their diversification of their supply chains. And so we've seen some long-term customers in both South Korea and Taiwan gain market share over Chinese imports of both lumber and plywood. And then while there's the lockdown in our other major export country of India, which is turning some short term demand, we believe they may experience some similar supply chain diversification benefits in the longer-term. So we're starting to see that trend before the pandemic with increased pine demand for packaging in particular. So there's some interesting things. Some of that volatility we mentioned is there's a lot of moving parts right now as countries are rethinking supply chains, where they're getting the wood from, how things move around. So just a lot of different things in play, but there are some positive spots there.

Collin Philip Mings ***Raymond James & Associates, Inc., Research Division - Analyst***

I appreciate all the color there. Switching gears, Mark, I know you referenced available liquidity of $300 million moving forward. More specifically, just given the timing and magnitude of the Mississippi Timberland sale, how much additional focus will you place on delevering following the closing of the Pope deal over the balance of the year?

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

Yes, sure. I mean, when we announced the Pope transaction, we obviously said that we're committed to the investment-grade rating. We were taking leverage up a bit above our comfort zone, and we would look to bring that back down likely through some asset sales in the near to medium term. And so with the $116 million Mississippi disposition, we largely completed, I would say, that targeted deleveraging in the sense that pro forma for the Mississippi disposition and the cash need for the Pope transaction plus the expected kind of annualized contribution from Pope, it was a largely kind of leverage-neutral, taking all those together. That said, we're obviously now in an environment where EBITDA is under pressure. And so to the extent that we had been anticipating that leverage was going up into the kind of high 4s on a debt-to-EBITDA basis and we'd be bringing that down through asset sales, we're probably now kind of back in that range just with the anticipated decline in EBITDA over the near term. And so, yes, I would say that we're still very focused on the balance sheet, very focused on maintaining the investment-grade rating. And obviously, there are a lot of moving pieces right now, and we're having to take all of that into account. But suffice it to say that with lower EBITDA, we certainly don't have the same leverage capacity that we would have had kind of prior to this COVID-19 pandemic.

Collin Philip Mings ***Raymond James & Associates, Inc., Research Division - Analyst***

Okay. And one last housekeeping one for me, and I'll turn it over. Just, Mark, just to make sure we're clear. We should expect updated guidance for the Pope transaction in conjunction with the 2Q earnings release, there won't be like a separate update concurrent with the deal closing?

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

Yes. I mean, we want to get under the hood, obviously, and kind of get a sense as to what the balance of the year looks like. I mean we're obviously somewhat limited while we remain separate companies in directing their business or getting too far into that. So again, we want the time to close the deal, get under the hood, get a sense as to where they're at relative to their expectations for the year, what's remaining for the balance of the year, and then we'll update guidance. I mean, again, I don't think that on a long-range basis, we would expect that the run rate expectation would be materially different than what we announced at the time of the transaction. But given the COVID-19 pandemic and all the moving pieces right now, and also just not having a great sense as to where they are right now relative to their full year expectation, we're going to need some time to digest that.

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

Yes. And Collin, the only thing I'd add to that is just sort of keep in mind that one of the objectives with respect to the Pope transaction was gaining additional optionality. And certainly, that applies in both good markets and in challenging markets. And right now, having more Douglas for having a higher proportion of ground-based logging lands, having a more diversed domestic mill footprint as well as exposure to export, all those things are going to be improved after this transaction. So we remain pretty excited about adding it to our portfolio.

Operator

Our next question comes from John Babcock with Bank of America.

John Plimpton Babcock ***BofA Merrill Lynch, Research Division - Associate***

So I guess I just want to talk quickly about kind of your long-term supply agreements and generally how those work. I mean, obviously, like we're facing a pretty difficult time here as far as housing and some of the numbers that have been forecasted out there are pretty dire. And so recognizing -- I mean it sounds like you've seen the operating rates recover at some of the mills and the Pacific Northwest, and maybe even in the south, if you'd comment on that, but I also want to get a sense for how those kind of supply agreements broadly work?

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

This is Doug. I'll be happy to take that question. So we have very few long-term supply agreements actually as a company. A lot of our wood is sold checking the pulpwood stumpage, more delivered in New Zealand and the Northwest, but some here also. But most of our dealings are either quarterly or maybe annual at the length. So I think we only have one agreement that's beyond a year length on supply agreement. So our would definitely transacts more on a quarterly basis.

John Plimpton Babcock ***BofA Merrill Lynch, Research Division - Associate***

Okay. That's helpful. And then I guess, just with regards to kind of the Mississippi land sale, what made that property an attractive one to sell? And also, any kind of additional color you could provide as far as the volumes or what contribution that made to the business would be helpful?

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

Sure. This is Dave. I'll take that. Yes, this was a process that we started. It was a competitive sale process that we launched last September. And we concluded that process. I think some of the aspects of this sale, keep in mind that this was our remaining holdings in Mississippi and we felt that we had both limited scale in that market and a limited ability to really grow to an appropriate scale. And so that was one of the key decision points as we thought about the longer-term prospects of that market. It was certainly a very productive property, and it had a 69% pine plantations, average age was 15 years old, so it was a good property. It was just really a question of, all else being equal, we prefer to be in places where we can have a better operating scale and stronger long-term market and the ability to impact that market.

John Plimpton Babcock ***BofA Merrill Lynch, Research Division - Associate***

Yes. And then I was wondering next if you can kind of talk about how end market demand in North America has kind of trended over the last few weeks, I guess, particularly in this out since you already commented about the Northwest?

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

Yes. I mean, the one thing to keep in mind is the market, particularly the lumber market, is fairly diverse market. And with the with the -- certainly with this COVID situation, you now are reinforcing the strength of the repair and remodel portion of the market, which is the largest portion of lumber demand at roughly 30%. And whereas, single-family housing is 22% and industrial is about 20%. And so that's an important thing to keep in mind. It does tend to get a disproportionate amount of the attention.

The other thing that I'd point out is we've had a backdrop of strong demand from our pulpwood customers throughout this period of time. You think about all the news coverage of late of things like tissue and the strong numbers coming out of the linerboard side for boxes. And so we find it generally when we have markets that have that foundational demand, it affects positively all markets. And so all else being equal, we'd like to see a nice diversity of products -- product demand across the market classes.

John Plimpton Babcock ***BofA Merrill Lynch, Research Division - Associate***

Okay. And then just last question before I turn it over. I was wondering if you could kind of talk about how we should think about working capital over the coming quarter or 2 just kind of with the pandemic and how that's kind of changing receivables and inventories and accounts payables and all that?

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

We generally don't carry a lot of working capital, John, so I wouldn't expect significant changes there.

Operator

Our next question comes from Anthony Pettinari with Citi.

Randy Devin Toth ***Citigroup Inc, Research Division - Associate***

This is actually Randy Toth sitting in for Anthony. I think for the U.S. South, you're now forecasting flat pricing for the year. And previously, you had expected a slight decline due to geographic mix. Yet looking at the midpoint of full year guidance, it suggests EBITDA per ton is expected to be lower than previously expected. Can you maybe just add some color on what has changed besides harvest levels within that full year guide on the U.S. South?

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

Yes. Randy, recognize that when you have a -- there's an element of cost in the business that's fixed in nature. And so when you have lower volume, you're going to be spreading that fixed cost over a lower number of tons. So that's certainly going to contribute to, all else being equal, you bring harvest down and you're going to have a lower EBITDA per ton. So generally speaking, I think our expectation around overall pricing for the year hasn't really changed materially. The decline in the forecast for the year has really been more volume-driven as well as probably some more muted expectations around non-timber income. We had a really strong year last year in pipeline easement sales. But with where oil prices are today, in particular, I think we're being a bit more measured in our expectations for non-timber sales. But those are essentially the different moving pieces there.

And also recognize that with respect to the decline in the guidance for Southern Timber, roughly half of that was probably driven by the volume decline associated with the Mississippi disposition. So just kind of looking at it, prior guidance relative to revised guidance, you need to kind of factor that in as well because that was a pretty big driver there. I'd say roughly half of the volume decline that we're projecting in the revised guidance was associated with the Mississippi disposition.

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

And I would just add then a point where there's a slight mix heavier to pulpwood now than what was predicted before. So that's causing the average composite price to look like it's slightly lower when you look at EBITDA per ton, and that's some of the weakness that we're seeing. So some of the additional volume that's coming out is really around sawlog demand. So something we can defer and recover in future years or future quarters if things get better.

Randy Devin Toth ***Citigroup Inc, Research Division - Associate***

Okay. Okay. Understood. And I think in the release and prepared remarks, there was a mention of increasing export demand out of the U.S. South. Is that just on the margins? Or is that business ramping back up? And just to clarify, these Chinese tariff waivers, are those just on logs coming out of the PAC Northwest? Or does that cover Southern Timberland as well?

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Sure. So as part of the Phase 1 resolution, China agreed to waive tariffs on logs for a year, and that's both the Northwest and the South. Now these waivers are actually applied for shipments online and they're good for a month. So it's -- while they've agreed to do it for a year, they're actually -- the physical mechanism is 1 month. Our customers have told us it takes about 3 days to get it, and there's been no one who's been denied. So it's pretty -- so far, it's been pretty seamless to get those things. So both operations from the Northwest and South, and we have seen them. Basically, as Dave mentioned, while the -- we've gone from 7 million cubic meters down to the 5 million range in China, there is a lot of demand for greenwood. That lockdown in New Zealand has really impacted the amount of -- when I say greenwood, kind of fresh wood they have, which gives them more optionality for what they can cut. So that has resulted in increased demand for fresh logs, both out of the Northwest and the South. So we've resumed selling to third-party exporters in Washington and Florida, and we've actually restarted our own operations in our Savannah, Georgia and Mobile, Alabama to help offset that curtailed domestic demand. So right now, it's not just at the margins, it's actually something we're seeing to help us meet our volume targets and, as I said, offset that domestic demand that's been curtailed.

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

Keep in mind, though, that exports out of the South are done by container, whereas in the Northwest and New Zealand, they're break bulk. And so you have different shipping dynamics at play that influence that.

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Yes, that's a good point. We've seen ocean freight rates really fall to the COVID-19 impacts on global trade, and there's also been a significant reduction in fuel costs with respect to -- going into this year. We talked about the change, TIMO change, for very low sulfur fuels. And those have fallen from $730 per ton to $207 per ton from the start of the year until now. So really, there's an advantage on the break bulk shipping that's not -- we're not experiencing in containers. But we mentioned earlier about the decreased supply of spruce from Europe. One of the things we have seen to this global imbalance is spot rates for freight have gone up over 70% year-over-year from Europe to China. And so that's really reduced the amount of volume coming from Europe into China over the last couple of months. And we expect that to persist for a while.

And while we're not experiencing the same kind of rate increases out here at South, we are experiencing more blank sailings where there's ships that aren't going because of that freight thing. So we have to match our boxes and do things like that, but we are seeing that opportunity for us, both out of the U.S. and our Australia ports on our containers.

Operator

Our next question comes from Mark Wilde with BMO Capital Markets.

Jesse Barone ***BMO Capital Markets Equity Research - Research Analyst***

This is Jesse Barone on for Mark. Just one quick one for me. Do you have any view on kind of the length of the curtailments in the U.S.? And specifically in the U.S. South, did you guys have any exposure to the Klausner mill that shut in Florida?

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Yes. I mean the length of curtailment, no. I mean we have heard rumors -- I mean we're encouraged -- it's a hard question, so I'll start over. The Pacific Northwest, we're encouraged that recent firming lumber prices is up 5% year-over-year. So while they're not pre-pandemic highs as we've seen lumber in the Northwest kind of settle back down year-over-year. So we've heard rumors of mills looking at restarting in the next couple of weeks. In the South, similarly, we've heard some rumors about that, but no one's committed on when they're actually going to come out of their curtailments to the best of my knowledge. So it's more rumors right now. But with those lumber prices firming up, it really do that, as Dave mentioned, we had a large reduction out of British Columbia before the pandemic, and then another 44% reduction kind of now is due to pandemic. We're really seeing that West Coast pricing firming up first.

With respect to Klausner, yes, that we do have a small amount wood that goes to that market, but we did have some properties or proximal to that, but they were a small customer of ours overall.

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

I mean the duration of the mill curtailment at the end of the day is going to be determined by the magnitude of the decline in housing for the year and estimates of that are still all over the place. So I think we still need to see kind of the COVID-19 pandemic and the U.S. response and the regional response settle down a bit and then get a sense as to kind of what is going to be the 2020 impact on housing starts before we can get a sense as to what the duration of those mill curtailments will be. But like Doug said, I mean, I think that there are some encouraging signs certainly relative to where we were even just a couple of weeks ago.

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

Yes. And the only thing I would reiterate from the earlier comments is looking at a macro level, you look at mill operating rates and have tended in North America to sort of be in that, call it, 80% to 90% range, and we're currently now in the mid-90s. And so that suggests a pretty tight environment and would suggest to us that as we see inventory levels rebalance and as we see demand pick up, that you'll start to see some of that capacity come back on. And also to reiterate a point that Doug had made, if you look at the breakdown of where those capacity curtailments have come, there's been a 44% reduction in British Columbia. And you wonder whether some of that could be linked really as well to remnant mountain pine beetle impacts. And so we think relative to our footprint, we're in better shape relative to how we see those mill curtailments over the U.S.

Operator

Our next question comes from Paul Quinn with RBC Capital Markets.

Paul C. Quinn ***RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst***

I'm not surprised with the reduced guidance. And a lot of the lower harvest is kind of in line with those thoughts. But just looking for some additional detail on Real Estate, which always seems to be very hard for me to predict. Maybe you could just give us an outline of -- you gave the EBITDA expectation of $60 million to $75 million, just maybe the expected acreage by bucket that drives that forecast?

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Yes. We're not going to get into that level of detail, Paul, in the guidance. Recognize that there are a lot of moving pieces in the real estate. And like you said, it's hard for you to forecast it. You're rest assured, it's not always easy for us to forecast because so much of it is driven by the binary nature of real estate transactions, they either close or they don't close, kind of within any given quarter, when they close is important than that. Obviously, we had a very light quarter in Q1, which we anticipated, we talked about last quarter. But we continue to have a pretty strong pipeline for the year.

I'd say, generally speaking, the decline that we forecasted relative to prior guidance is mostly driven by, again, more muted expectations around improved and unimproved development sales. Obviously, that's the area of the business that we see kind of the greatest risk as it relates to the COVID-19 pandemic. I mean I think a lot of homebuilders and developers are either not operating or kind of hit the pause on land acquisitions. And so I'd say, if you kind of look at the mix that we were anticipating coming into the year and recognize that our initial guidance for 2020 in Real Estate, I'd say, was very strong, probably above a more normalized expectation. I think -- but as we sit here today and we're kind of looking at the risks around those unimproved and improved development sales for the year. I think that's been the bulk of what has drove the reduction in guidance.

Operator

(Operator Instructions) Our next question comes from Collin Mings with Raymond James.

Collin Philip Mings ***Raymond James & Associates, Inc., Research Division - Analyst***

Just a couple of quick follow-ups for me. I think, Doug, just in the U.S. South, and you touched on this a little bit in the remarks as far as expecting pulpwood to remain pretty solid. But just given that there's going to be less residuals available from sawmills, can you maybe just expand on what you're seeing in terms of pulpwood demand and pricing right now?

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Yes, Collin. I mean we're seeing really strong demand for pulpwood. This is typically a season when mills take downtime for their spring maintenance. But to my knowledge, I think just everyone of our customers has postponed that. Unfortunately, we haven't really seen increases in prices, and that's due to a lot of crew shifting from cutting sawtimber with these mills they're curtailed to producing pulpwood. So while the demand is strong, we're not seeing really any changes in pricing, prices have been pretty flat. So on the demand -- the increased demand is being met by increased shifts from people cutting sawlogs to pulpwood, but very strong demand nonetheless, which is great to see.

Collin Philip Mings ***Raymond James & Associates, Inc., Research Division - Analyst***

Okay. And sticking with the U.S. South here in particular, Doug, I mean, Mark referenced in response to Randy's questions, just that some of the moving pieces that relates to non-timber income. But can you maybe just elaborate a little bit more what COVID-19 as well as the plunge in oil prices really mean for non-timber income moving forward?

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Yes, it's a good question. So last year, a lot of strength in our record year in non-timber income was around easements in oil and gas. And with the low oil prices, we have built into our guidance the expectation that capital investments in that business are going to slow down. So we do think there's going to be weakness in our oil and gas easements this year. There was a lot of things, no pun intended, in the pipeline. And we haven't necessarily been told that they're all canceled, but we're being very cautious, thinking that we're going to see some pullback in that area.

Collin Philip Mings ***Raymond James & Associates, Inc., Research Division - Analyst***

Okay. And then, Mark, going back to Paul's question on Real Estate. Have you actually seen any rule or recreational land sales fall through because of the change in the economic outlook?

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

I don't believe we've seen any fall through, certainly none of size. And I'd say, overall, our Real Estate transaction pipeline for the year is still very strong. We have a number of transactions under contract. I think if anything, we've certainly seen some slippage and some on the improved development side. And so again, we see the Real Estate guide down is probably more of a timing issue. The value, we believe, is still there. But with this -- with all the stay-at-home orders underway right now, you're just not going to see a lot of housing activity for the near-term in all likelihood.

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

Yes. And Collin, we saw that both on the improved development side and then to a lesser extent, on the Rural side, where you're seeing some delays in transactions that were in the pipeline. And again, we don't view that as an impact to value, but more an impact to timing.

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

Yes. It's important to note. I mean, a lot of these development transactions, both on the improved and unimproved side, have very long lead times. There's a lot of work, a lot of investment that goes in, on the part of the buyer, that goes into making these purchases. And so a situation like this, maybe some of those buyers are just determined to walk away, but a number of them have some cost in those deals that they're probably not going to be very reluctant to walk away from.

Collin Philip Mings ***Raymond James & Associates, Inc., Research Division - Analyst***

Mark, to that point and recognizing it will probably evolve as you kind of review things post Pope, but just have you maybe dialed back any of your real estate expenditures or the capital outlay on that front? Recognizing, again, it's very concentrated, very small numbers overall, but just given that kind of balance of near-term demand being a little softer and longer term, these are long-term projects with a lot of lead time, have you kind of brought that in at all?

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

I mean recognize that with much of our capital has been in the wildlife project, and much of that infrastructure capital is already in the ground. And so there isn't -- there really isn't as much there to delay. Incremental capital is really associated with getting residential lots into the pipeline.

Douglas M. Long ***Rayonier Inc. - SVP of Forest Resources***

Look, it's a moving target, and it's going to be a continuous reevaluation of whether it makes sense to make certain investments and when it makes sense to make certain investments. So that will absolutely flex to some degree with our expectation around the pipeline for improved development sales.

Collin Philip Mings ***Raymond James & Associates, Inc., Research Division - Analyst***

Got it. And then just one last one for me. And just bigger picture, it does look like you closed on a $24 million acquisition during the quarter. And again, recognizing it's a fluid environment, but just maybe just update us as you think about balancing different capital allocation priorities going forward, obviously, Pope is the near-term focus here. But just you bought back some stock during the quarter. You made an acquisition. Just maybe talk a little bit more about the balance as you go forward.

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

Yes. I'll touch on the acquisition, Collin, and then Mark can touch on the buyback. Yes, we completed in January the acquisition of 12,500 acres, in Louisiana. This was a direct negotiation process that we started last summer. We purchased this for $24 million or 19 20 per acre. Very excited about the property, has a high percentage, 76% plantation, average plantation age of 15 years, and it improves really the quality of our Louisiana portfolio, both from a logging conditions as well as a percent plantation perspective. And we like the market it's in. It's in really nice tensioned wood baskets with diverse mill ownership as well as product demand. And so kind of getting back to some of my comments earlier on the Mississippi disposition, this was in a lot more exciting market for us and in an area where we felt like we were gaining incremental scale. So really happy to have completed that in early January.

Mark D. McHugh ***Rayonier Inc. - Senior VP & CFO***

Collin, I'd just say more broadly on capital allocation priorities. Look, we certainly think that share buybacks are still an attractive use of capital in the current market environment. And we did a small amount of buybacks last quarter. But leverage is obviously going up with the closing of the Pope transaction, and EBITDA is currently under some pressure from the COVID-19 pandemic. So I'd say that the top priority today is probably carefully managing the balance sheet with a focus on some modest deleveraging over the medium term.

With respect to acquisitions, I'd say we're always in the market. We're always evaluating what's out there. But I think it's fair to say that given our current focus on the integration of Pope and our current leverage profile, it's probably not a top priority right now.

Operator

Showing no further questions.

David L. Nunes ***Rayonier Inc. - President, CEO & Director***

All right. Well, thanks for joining the call, and please feel free to follow-up with me if you have any further questions. Thank you.

Operator

Thank you for your participation. You may disconnect at this time.