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

FORM 10-K

(Mark One)

(x) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the year ended December 31, 1999

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 No. 13-2607329

50 NORTH LAURA STREET, JACKSONVILLE, FL 32202

(Principal Executive Office)

Telephone Number: (904) 357-9100

Securities registered pursuant to Section 12(b) of the Act, all of which are registered on the New York Stock Exchange:

Common Shares
7.5% Notes, due October 15, 2002
Medium-Term Notes, due 2000 - 2004

Securities registered pursuant to Section 12(g) of the Act: None

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 ( )

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. (X)

The aggregate market value of the Common Shares of the registrant held by non-affiliates of the Registrant on March 3, 2000, was approximately $1,104,000,000.

As of March 3, 2000, there were outstanding 27,362,863 Common Shares of the Registrant.

The registrant's definitive proxy statement filed or to be filed with the Securities and Exchange Commission pursuant to Regulation 14A involving the election of directors at the annual meeting of the shareholders of the registrant scheduled to be held on May 18, 2000, is incorporated by reference in Part III of the Form 10-K.

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* Included pursuant to Instruction 3 to Item 401 (b) of Regulation S-K

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PART I

ITEM 1. BUSINESS

GENERAL

Rayonier Inc. (Rayonier or the Company), including its subsidiaries, is a leading international forest products company primarily engaged in the trading, merchandising and manufacturing of logs, timber and wood products, and in the production and sale of high-value-added specialty pulps. Rayonier owns, leases, manages or controls approximately 2.4 million acres of forestland located primarily in the United States and New Zealand. In addition, the Company operates two pulp mills and two lumber manufacturing facilities in the United States and a medium-density fiberboard plant in New Zealand.

Rayonier traces its origins to the Rainier Pulp & Paper Company founded in Shelton, WA, in 1926. In 1937 it became "Rayonier Incorporated," a public company traded on the New York Stock Exchange (NYSE), until 1968, when it became a wholly owned subsidiary of ITT Corporation, now known as ITT Industries, Inc. (ITT). On February 28, 1994, Rayonier again became an independent public company when ITT distributed all of Rayonier's Common Shares to ITT stockholders. Rayonier shares are publicly traded on the NYSE under the symbol RYN.

Rayonier is a North Carolina corporation with its executive offices at 50 North Laura Street, Jacksonville, FL, 32202. Its telephone number is (904) 357-9100.

Rayonier operates in two major business segments, Timber and Wood Products and Specialty Pulp Products. The Timber and Wood Products segment includes two reportable business units under Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures About Segments of an Enterprise and Related Information," Forest Resources and Trading, and Wood Products. Chemical Cellulose, and Fluff and Specialty Paper Pulps, are product lines within the Specialty Pulp Products segment.

SALES

Rayonier's sales for the last three years were as follows in millions:

	Sales Revenue					
	1999	%	1998	%	1997	%
Timber and Wood Products:						
Forest Resources and Trading	$ 457	44	$ 402	40	$ 420	38
Wood Products	120	12	121	12	133	12
	577	56	523	52	553	50
Specialty Pulp Products:						
Chemical Cellulose	285	27	309	30	338	31
Fluff and Specialty Paper Pulps	175	17	179	18	182	16
	460	44	488	48	520	47
Dispositions	--	--	--	--	34	3
Intersegment eliminations	(1)	--	(2)	--	(3)	--
Total	$ 1,036	100	$ 1,009	100	$ 1,104	100

Rayonier has customers in 60 countries and 45 percent of the Company's 1999 sales of $1,036 million were made to customers outside of the United States. For further information on sales, operating income and identifiable assets by segment, see Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 3 of the Notes to Consolidated Financial Statements - Segment and Geographical Information.

TIMBER AND WOOD PRODUCTS

FOREST RESOURCES AND TRADING

The Company manages forestlands, sells standing timber to third parties, purchases and harvests timber on forestlands owned by it and by third parties, sells logs, and purchases lumber and wood panel products for resale.

Rayonier managed approximately 2.4 million acres of forestlands as of December 31, 1999 as follows (in thousands):

Region	Total Acres	%	Fee Owned Acres	Long-Term Leased Acres
Southeast U.S.	1,822	75	1,561	261
Northwest U.S.	379	16	379	-
New Zealand	221	9	6	215
Total	2,422	100	1,946	476

Southeastern U.S. forestlands are located primarily in Georgia, Florida and Alabama. Their proximity to pulp, paper and lumber mills results in significant competition for the purchase of Rayonier's timber. Approximately 51 percent of the timber harvest represents high-value timber sold primarily to plywood and lumber mills, while the remaining 49 percent is pulpwood, which is destined for pulp and paper mills. Through advanced silvicultural practices, the Company has been able to increase the amount of timber volume per acre available for harvest from its Southeastern forestlands by approximately 2 percent to 3 percent per year and expects this trend to continue. The predominant species on the Southeastern forestlands include loblolly and slash pine for softwood timber stands, and red oak, sweet gum, black gum, red maple, cyprus and green ash for hardwood timber stands.

Northwestern U.S. forestlands are located primarily on the Olympic Peninsula in Washington state, are all owned in fee and consist almost entirely of second-growth trees. These forestlands include primarily softwood stands, of which approximately 68 percent is hemlock and 32 percent is Douglas fir, Western red cedar and spruce. Hardwood timber stands consist principally of alder and maple.

New Zealand forest assets consist primarily of Crown Forest Licenses providing the right to utilize approximately 215,000 acres of New Zealand plantation forests for a minimum period of 35 years. Approximately 88 percent of these forestlands consist of radiata pine, well suited for high-quality lumber and panel products. The remaining 12 percent is Douglas fir and other species. Rayonier grows New Zealand timber for both domestic New Zealand uses and for export primarily to the Pacific Rim markets. In addition, New Zealand manages forestlands for others, principally joint ventures in which Rayonier holds a minority interest.

Rayonier manages forestlands, endeavoring to scientifically develop forests to their economic peak for specific markets. The average rotation age for timber from the Southeastern U.S. (primarily Southern pine) is 25 years for timber sold to sawmills and 20 years for pulpwood destined for pulp and paper mills. The average rotation age for timber destined for domestic and export markets from the Northwestern U.S. (primarily hemlock and Douglas fir) is 45 to 50 years. The average rotation age for timber grown in New Zealand (primarily radiata pine) is 25 to 28 years.

In the United States, Rayonier manages its forestlands and sells standing timber directly through Rayonier Timberlands Operating Company, L.P. (RTOC), a limited partnership previously owned by Rayonier Timberlands, L.P. (RTLP), also a limited partnership, that was publicly traded on the New York Stock Exchange. Until January 1998, Rayonier owned 74.7 percent of the Class A Limited Partnership Units of RTLP. Effective January 1998, Rayonier acquired the publicly held units of RTLP in accordance with the terms of the RTLP Partnership Agreement.

On October 25, 1999, Rayonier acquired approximately 968,000 owned and leased acres of forestland in Georgia, Florida and Alabama from Jefferson Smurfit Corporation (U.S.) ("JSC") in a business combination accounted for by the purchase method of accounting. In addition, the Company and JSC entered into a Timber Cutting Agreement whereby the Company has agreed to sell 1.4 million tons of timber to JSC at prevailing market prices for each of the years 2000 and 2001. The acquisition cost of $716.4 million, allocated to forestlands and land held for resale, was financed by $485 million in notes issued to JSC and $232 million in cash borrowed under a bank credit facility. JSC used these forestlands primarily to provide pulpwood fiber to its paperboard mills. The Company plans to manage the forestlands and sell standing timber on an open-market basis through RTOC, a wholly owned limited partnership.

Rayonier is organized to regularly sell timber through a public auction process, predominantly to third parties. By requiring the Company's other operating units to competitively bid for their timber and wood requirements, the Company believes it can maximize the true economic return on its investments. In 1999, approximately 87 percent of the Company's standing timber sales were made to third parties.

The Company manages its forestlands on a sustainable yield basis in conformity with best forest industry practices. A key to success is the extensive application of Rayonier's silvicultural expertise to species selection for plantations, soil preparation, thinning of timber stands, pruning of selected species, fertilization and careful timing of the harvest, all designed to maximize value, while responding to environmental needs. The following table sets forth forestland acres as of December 31, 1999 by region and by timber classification in thousands:

Region	Softwood Plantation	Hardwood Lands	Non-Forest	Total
Southeast U.S.	1,082	565	175	1,822
Northwest U.S.	314	17	48	379
New Zealand (1)	216	5	-	221
Total	1,612	587	223	2,422

(1) Excludes 43 thousand acres managed by Rayonier under joint ventures and approximately 66 thousand acres of native bush estates that is not harvestable.

Merchantable timber inventory is an estimate of the amount of standing timber at the earliest age that it could be harvested under varying economic conditions. Estimates are based on a continuing inventory system, which involves periodic statistical sampling of the forestlands, with adjustments made on the basis of growth estimates, harvest information and market conditions. The following table sets forth the estimated volumes of merchantable timber by location and type, as of December 31, 1999.

Region	Softwood	Hardwood	Total	Equivalent total, in thousands of cubic meters	%
Southeast U.S., in thousands of short green tons	24,587	21,851	46,438	31,773	53
Northwest U.S., in millions of board feet	1,931	226	2,157	13,042	22
New Zealand, in thousands of cubic meters	14,782	194	14,976	14,976	25
				59,791	100

Rayonier is also a leading exporter and trader of softwood logs, lumber and wood panel products. Rayonier purchases and harvests timber and purchases lumber and wood panel products for sale in domestic and export markets. Timber is purchased from both internal and external sources. In 1999, approximately 47 percent of New Zealand log trading sales volume was sourced from Company forestlands. In North America, approximately 1 percent of log trading sales volume was sourced directly from Rayonier's forestlands; however, logs were also purchased from independent local dealers who had, in some cases, purchased cutting rights to Company forestlands. Approximately 95 percent of log, lumber and wood panel product sales are made directly by Rayonier sales personnel. In certain of the Company's export locations, sales are made through independent sales agents.

WOOD PRODUCTS

The Company manufactures wood products at two lumber mills in the Southeast U.S. and a medium-density fiberboard facility in New Zealand.

Rayonier's lumber mills located at Baxley and Swainsboro, GA, convert Southern pine timber into dimension and specialty lumber products for residential construction and industrial uses. The two mills have a combined annual capacity of approximately 265 million board feet of lumber, while also producing approximately 538,000 tons of wood chips for pulping. The mills sell their lumber output primarily in Southeastern United States and Caribbean markets. Lumber is sold primarily by Rayonier sales personnel, although sales to certain export locations are made through independent sales agents. Substantially all of the wood chip production is sold (at market prices) to Rayonier's Jesup, GA, pulp facility accounting for approximately 19 percent of Jesup's 1999 total wood consumption. In July 1998, fire damaged another lumber manufacturing facility, with annual capacity of 85 million board feet, at Plummer, ID. Rayonier permanently closed the Plummer mill in 1998 and sold the remaining assets in September 1999.

During 1997, the Company completed construction and, in the fourth quarter, began operations at a medium-density fiberboard (MDF) facility in New Zealand with an annual capacity of 140,000 cubic meters and utilities infrastructure capacity for an additional 140,000 cubic meters. The Company's MDF is marketed by Rayonier personnel, independent sales agents and a domestic distributor.

SPECIALTY PULP PRODUCTS

Rayonier is a leading specialty pulp manufacturer. The Company owns and operates pulp mills at Jesup, GA, and Fernandina Beach, FL, with a combined annual capacity of approximately 700,000 metric tons. These facilities are able to manufacture more than 25 different grades of pulp to meet customers' needs. The Jesup facility can produce approximately 550,000 metric tons of wood pulp, or 79 percent of Rayonier's total capacity. The Fernandina Beach facility can produce approximately 150,000 metric tons of wood pulp, or 21 percent of Rayonier's total capacity.

Rayonier concentrates on the production of specialty pulps to customers' specifications, sold to industrial companies producing a wide variety of products. Over half of Rayonier's pulp sales are to export customers, primarily in Asia, Europe and Latin America. Over 90 percent of specialty pulp sales are made directly by Rayonier sales personnel. In certain of the Company's export locations, sales are made through independent sales agents.

CHEMICAL CELLULOSE

Rayonier is one of the world's leading producers of chemical cellulose, also called dissolving pulp, which is a highly purified form of pulp. Chemical cellulose is used in a wide variety of products such as textile fibers, rigid packaging, photographic film, impact-resistant plastics, high-tenacity rayon yarn for tires and industrial hoses, pharmaceuticals, cosmetics, detergents, sausage casings, food products, thickeners for oil well drilling muds, cigarette filters, lacquers, paints, printing inks and explosives. Within the chemical cellulose industry, Rayonier concentrates on producing the most highly valued, technologically demanding forms of chemical cellulose, such as cellulose acetate and high-purity cellulose ethers, and it is a leading supplier of these products.

FLUFF AND SPECIALTY PAPER PULPS

Rayonier is a supplier of fluff pulp, used as an absorbent medium in products such as disposable baby diapers, personal sanitary napkins, incontinence pads, convalescent bed pads, industrial towels and wipes and non-woven fabrics.

Rayonier is also a major producer of specialty paper pulps and produces only a small volume of regular paper pulp. Customers use Rayonier's specialty paper pulps to manufacture paper for decorative laminates for counter tops, air and oil filters, shoe innersoles, battery separators, circuit boards and filter media for the food industry. Paper pulp, representing approximately 2 percent of total Company pulp sales, is used in the manufacture of bond, book and printing paper.

PULP PRICING

Pulp prices are cyclical. Rayonier is a non-integrated specialty pulp producer for non-papermaking end uses and pricing of its high-value product mix tends to lag (on both the upturn and downturn) commodity paper pulp prices.

DISPOSITIONS AND DISCONTINUED OPERATIONS

Dispositions and discontinued operations include Rayonier's Port Angeles, WA, pulp mill, which was closed on February 28, 1997; its interest in the Grays Harbor, WA, pulp and paper complex, which was closed in 1992; its wholly owned subsidiary, Southern Wood Piedmont Company (SWP), which ceased operations in 1986; Rayonier's Eastern Research Division, which ceased operations in 1981; and other miscellaneous assets held for disposition.

See Note 12 of the Notes to Consolidated Financial Statements - Dispositions and Discontinued Operations.

FOREIGN SALES AND OPERATIONS

Rayonier's sales for the last three years by geographical destination market are as follows in millions:

	Sales by Destination Markets					
	1999	%	1998	%	1997	%
United States	$574	55	$587	58	$568	51
Europe	92	9	121	12	127	12
Japan	122	12	107	11	173	16
South Korea	34	3	17	2	52	5
China	50	5	36	4	36	3
Other Asia	71	7	56	5	66	6
Latin America	61	6	54	5	59	5
Canada	19	2	21	2	16	1
All other	13	1	10	1	7	1
Total	$1,036	100	$1,009	100	$1,104	100

Overseas assets, primarily in New Zealand, were approximately 15 percent of total assets at the end of 1999 and Rayonier's sales from non-U.S. operations were approximately 13 percent of total sales.

See Note 3 of the Notes to Consolidated Financial Statements - Segment and Geographical Information.

PATENTS

Rayonier has a large number of patents, which relate primarily to its products and processes. It also has pending a number of patent applications. Although Rayonier's patents are of significant importance to the operation of each of its individual businesses, Rayonier does not consider any of its patents or group of patents relating to a particular product or process to be of material importance from the standpoint of Rayonier overall.

COMPETITION AND CUSTOMERS

The Company's U.S. forestlands are located in two major timber growing regions (the Southeast and the Northwest), where timber markets are fragmented and very competitive. In the Northwest U.S., John Hancock Mutual Life Insurance Co. and Washington state (Department of Natural Resources) are significant competitors. In both the Northwest U.S. and Southeast U.S., smaller forest products companies and private landowners compete with the Company. Price is the principal method of competition.

Export log markets are highly competitive, with logs available from several countries and numerous suppliers. In New Zealand, major competitors include Carter Holt Harvey and Fletcher Challenge. In North America, Weyerhaeuser, Sea Alaska, Timber West (Canada) and Willamette are principal competitors. Price and customer relationships are important methods of competition.

Rayonier's lumber and MDF wood products compete with the products of numerous companies, some of which are larger and have greater resources than Rayonier. Both lumber and MDF compete with alternative construction materials. The MDF facility is experiencing operating losses mainly associated with weak demand from Asian markets in 1998 and 1999 and worldwide overcapacity of MDF. Losses have been diminishing, but are expected to continue until an extended recovery in the Asian economies emerges. In most of Rayonier's markets, competition is primarily through price, quality, customer relationships and technical service.

Specialty pulp products are marketed worldwide against strong competition from domestic and foreign producers. Rayonier's major competitors include International Paper, Weyerhaeuser, Georgia-Pacific, Buckeye Technologies and Stora Kopparberg. However, several foreign, low-cost manufacturers of lower-grade pulps are currently attempting to produce high-grade acetate pulps. Supply of these pulp grades may increase in the future, in comparison to an overall demand growth that has been fairly modest. Pressure on chemical cellulose margins at both Jesup and Fernandina will most probably intensify. On the other hand, the Company is developing new, and improving existing, products and processes that could add additional value to the specialty pulp business. In addition to pricing, product performance and technical service are principal methods of competition.

ENVIRONMENTAL MATTERS

See "Environmental Regulation" in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 17 of the Notes to Consolidated Financial Statements - Contingencies.

RAW MATERIALS

Regional timber availability continues to be restricted by legislation, litigation and pressure from various preservationist groups and is also subject to cyclical swings in lumber and pulp and paper markets. While the Forest Resources and Trading business unit has benefited from a significant increase in timber prices over the last decade, this increase adversely impacted fiber costs at Rayonier's Specialty Pulp Products and Wood Products manufacturing facilities in the Southeast U.S.

Rayonier has pursued, and is continuing to pursue, reductions in usage and costs of key raw materials, supplies and contract services at its pulp and lumber mills. Management foresees no significant constraints from pricing or availability of its key raw materials.

RESEARCH AND DEVELOPMENT

Rayonier believes it maintains one of the preeminent specialty pulp research facilities and staff in the forest products industry. Research and development efforts are directed primarily at the development of new and improved pulp grades and pulp-contained products, improved manufacturing efficiency, reduction of energy needs, product quality and development of improved environmental controls. The research center is adjacent to the pulp mill in Jesup, GA.

Research activities related to forestland operations include genetic tree improvement programs as well as applied silviculture programs to identify management practices that improve returns from forestland assets.

Research and development expenditures were approximately $10.2 million per year for the last three years.

EMPLOYEE RELATIONS

Rayonier currently employs approximately 2,300 people. Of this number, approximately 2,100 are employees in the United States, of whom 45 percent are covered by labor contracts. Most hourly employees are represented by one of several labor unions. Labor relations are maintained in a normal and satisfactory manner.

Jesup's labor agreements, covering approximately 700 employees, expire in June 2002. Fernandina's labor contracts, covering approximately 250 employees, expire in April 2001.

Rayonier has in effect various benefit plans for its employees and retirees, providing certain group medical, dental and life insurance coverage, pension and other benefits. The cost of the plans is borne primarily by Rayonier.

ITEM 2. PROPERTIES

Rayonier owns, leases or controls approximately 2.2 million acres of forestlands in the United States. Rayonier manages these properties and sells timber to other Company operating units, as well as unaffiliated parties. Rayonier's New Zealand subsidiary owns or manages the forest assets on approximately 221,000 acres of plantation forests in New Zealand. Rayonier and its wholly owned subsidiaries own or lease various other properties used in their operations, which include two pulp mills, two lumber manufacturing facilities, an MDF plant, a research facility and Rayonier's corporate headquarters. These facilities are located in the Northwestern and Southeastern portions of the United States and in New Zealand.

ITEM 3. LEGAL PROCEEDINGS

Rayonier is engaged in certain environmental proceedings that are discussed more fully in Note 17 of the Notes to Consolidated Financial Statements Contingencies (Legal Proceedings).

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

No matter was submitted to a vote of security holders of Rayonier during the fourth quarter of 1999.

EXECUTIVE OFFICERS OF RAYONIER

W. LEE NUTTER, 56, Chairman, President and Chief Executive Officer, Rayonier - He joined Rayonier in 1967 in the Northwest Forest Operations and was named Vice President, Timber and Wood in 1984, Vice President, Forest Products in 1985, Senior Vice President, Operations, in 1986 and Executive Vice President in 1987. He was elected President and Chief Operating Officer and a director of Rayonier on July 19, 1996 and was elected to his present position effective January 1, 1999. Mr. Nutter serves on the Boards of Directors of the American Forest & Paper Association ("AF&PA") and the National Council for Air and Stream Improvement, and he is also on the Executive Committee of the AF&PA. He graduated from the University of Washington and the Harvard University Graduate School of Business Administration Advanced Management Program.

WILLIAM S. BERRY, 58, Executive Vice President, Forest Resources and Wood Products - He was elected to his present position in October 1996 after being elected Senior Vice President, Forest Resources and Corporate Development, of Rayonier in January 1994. He was Senior Vice President, Land and Forest Resources, of Rayonier from January 1986 to January 1994. From October 1981 to January 1986 he was Vice President and Director of Forest Products Management. Mr. Berry joined Rayonier in 1980 as Director of Wood Products Management. He serves on the External Advisory Board of the Warnell School of Forest Resources, University of Georgia. He holds a B.S. in Forestry from the University of California at Berkeley and an M.S. in Forestry from the University of Michigan.

GERALD J. POLLACK, 58, Senior Vice President and Chief Financial Officer - He was elected Senior Vice President and Chief Financial Officer of Rayonier in May 1992. From July 1986 to May 1992, he was Vice President and Chief Financial Officer. Mr. Pollack joined Rayonier in June 1982 as Vice President and Controller. He is a member of the New York Advisory Board of FM Global Co., the financial management committee of AF&PA, and the Financial Executive Institute. Mr. Pollack has a B.S. in Physics from Rensselaer Polytechnic Institute and an M.B.A. in Accounting and Finance from the Amos Tuck School at Dartmouth.

JOHN P. O'GRADY, 54, Senior Vice President, Administration - He was elected Senior Vice President, Human Resources, of Rayonier in January 1994 and Senior Vice President, Administration, effective January 1996. He was Vice President, Administration, of Rayonier from July 1991 to January 1994. From December 1975 to July 1991, he held a number of human resources positions at ITT Corporation and its subsidiaries. Mr. O'Grady serves on the AF&PA's employee and labor relations committee and is a Management Trustee for the Paper, Allied-Industrial, Chemical & Energy Workers International Union Health and Welfare Trust. He holds a B.S. in Labor Economics from the University of Akron, an M.S. in Industrial Relations from Rutgers University and a Ph.D. in Management from California Western University.

WILLIAM A. KINDLER, 57, Senior Vice President, Specialty Pulp - He joined Rayonier in August 1996 and was elected Vice President. Specialty Pulp, in October 1996 and a Senior Vice President in March 1998. Prior to coming to Rayonier, Mr. Kindler was with James River Corporation for 26 years where he held a number of senior management positions, most recently as as Vice President, Product Supply, Consumer Products (March 1994 until August 1996). He holds a B.A. in Chemistry from Western Washington University and an M.S. and Ph.D. in Pulp and Paper Technology from the Institute of Paper Chemistry.

LISA M. PALUMBO, 41, Vice President and General Counsel - She joined Rayonier in April 1997 and was elected Vice President and General Counsel in August 1997. Prior to joining Rayonier, she was with Avnet, Inc. from 1987 to 1997, most recently as Assistant General Counsel and Assistant Secretary, and was in private law practice from 1983 to 1987. She holds a B.A and J.D. from Rutgers University.

GEORGE C. KAY, 50, Vice President and Controller - He joined Rayonier in March 1999 as Corporate Controller and was elected a Vice President in May 1999. Prior to Rayonier, Mr. Kay was Vice President of Finance and Chief Financial Officer of the A. T. Massey Division of Fluor Corporation from 1997 to 1998. From 1988 to 1997 he was Senior Vice President of Finance for subsidiaries of United Technologies Corporation including Sikorsky Aircraft, Stratford, CT, and United Technologies Automotive, Dearborn, MI. Mr. Kay holds a B.A. in Business Administration and an M.B.A. from the University of Wisconsin.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The table below reflects the range of market prices of Rayonier Common Shares as reported in the consolidated transaction reporting system of the New York Stock Exchange, the only exchange on which this security is listed, under the trading symbol RYN.

RAYONIER COMMON SHARES - MARKET PRICES, VOLUME AND DIVIDENDS

	High	Low	Composite Volume	Dividend
1999				
Fourth Quarter	$48.56	$36.25	5,148,600	$.36
Third Quarter	52.88	36.69	5,233,600	.31
Second Quarter	51.19	39.31	3,627,300	.31
First Quarter	46.88	38.75	3,124,900	.31
1998				
Fourth Quarter	$46.25	$37.25	3,789,600	$.31
Third Quarter	48.00	36.63	3,890,600	.31
Second Quarter	52.50	43.13	5,635,000	.31
First Quarter	48.50	40.25	5,247,400	.31

On February 18, 2000, Rayonier announced a first quarter dividend of 36 cents per share payable March 31, 2000 to shareholders of record March 10, 2000.

There were approximately 21,969 shareholders of record of Rayonier Common Shares on February 29, 2000.

ITEM 6. SELECTED FINANCIAL DATA

The following summary of historical financial data for each of the five years ended December 31, 1999, is derived from the consolidated financial statements of the Company. The data should be read in conjunction with the consolidated financial statements (dollar amounts in millions, except per share data).

	Year Ended December 31				
	1999	1998	1997	1996	1995
OPERATIONS:					
Sales	$ 1,036	$ 1,009	$ 1,104	$ 1,178	$ 1,260
Operating income before provision for dispositions	136	124	166	159	234
Provision for dispositions	--	--	--	(125)(1)	--
Operating income	136	124	166	34	234
Income (loss) from continuing operations	69	64	87	(--)	142
Provision for discontinued operations	--	--	--	(98)(2)	--
Net income (loss)	69	64	87	(98)	142
PER COMMON SHARE:					
Income (loss) from continuing operations	$ 2.44	$ 2.22	$ 2.97	$(--)	$ 4.75
Provision for discontinued operations	--	--	--	(3.28)	--
Net income (loss)- Diluted	2.44	2.22	2.97	(3.28)	4.75
- Basic	2.48	2.26	3.03	(3.28)	4.81
Dividends paid	1.29	1.24	1.20	1.16	1.00
Book value	23.82	23.01	22.37	21.29	25.95
FINANCIAL CONDITION:					
Total assets	$ 2,280	$ 1,601	$ 1,596	$ 1,598	$ 1,648
Total debt	1,136	490	426	433	450
Book value	653	639	633	623	769
CASH FLOW:					
Cash flow from operations	$ 217	$ 157	$ 253	$ 236	$ 213
Custodial capital spending (3)	69	58	72	83	72
Total capital expenditures	95	95	137	187	143
Depreciation, depletion and amortization	105	101	99	97	96
EBITDA(4)	246	226	237	236	303
EBIT(5)	141	125	138	139	207
Free cash flow (6)	121	66	122	119	107
Dividends paid	36	35	35	34	30
PERFORMANCE RATIOS (%):					
Operating income to sales (7)	13	12	15	13	19
Return on equity (8)	11	10	14	--	20
Return on assets (8)	4	4	5	--	9
Debt to capital	64	43	40	41	37
OTHER:					
Number of employees	2,300	2,300	2,500	2,700	2,900
Forestlands - in thousands of acres	2,422	1,447	1,452	1,462	1,473

SELECTED OPERATING DATA (UNAUDITED):

	Year Ended December 31				
	1999	1998	1997	1996	1995
Timber and Wood Products					
Log trading sales volume					
North America - in millions of board feet	205	173	224	284	351
New Zealand - in thousands of cubic meters	1,246	851	1,113	1,414	1,682
Other - in thousands of cubic meters	611	206	277	97	103
Standing timber sales volume					
Northwest U.S. - in millions of board feet	204	212	190	193	175
Southeast U.S. - in thousands of short green tons	2,574	2,360(9)	2,421	2,281	2,218
New Zealand - in thousands of cubic meters(10)	1,249	1,003	1,111	1,097	--
Lumber sales volume - in millions of board feet(11)	255	310	325	280	213
Medium-density fiberboard sales volume - in thousands of cubic meters	129	91	16	--	--
Intercompany timber sales volume					
Northwest U.S. - in millions of board feet	24	12	14	23	32
Southeast U.S. - in thousands of short green tons	40	70	92	158	292
New Zealand - in thousands of cubic meters(10)	580	385	589	840	--
Specialty Pulp Products					
Pulp sales volume					
Chemical cellulose - in thousands of metric tons(12)	333	344	381	349	342
Fluff and specialty paper pulp - in thousands of metric tons(13)	328	349	344	332	308
Production as a percent of capacity	95%	97%	100%	101%	99%

SELECTED SUPPLEMENTAL FINANCIAL DATA

	1999	1998	1997	1996	1995
Financial Results Excluding Impact of Special Items(14)					
Sales	$ 1,029	$ 1,015	$ 1,104	$ 1,178	$ 1,260
Operating income	135	134	166	159	234
Net income	65	70	82	79	118
Net income per diluted Common Share	2.32	2.44	2.78	2.63	3.95
EBITDA (4)	242	235	229	236	303
Return on equity (%)	10	11	13	10	17
Geographical Data (Non-U.S.)					
Sales					
New Zealand	$ 85	$ 64	$ 90	$ 96	$ 106
Other	45	17	22	23	28
Total	$ 130	$ 81	$ 112	$ 119	$ 134
Operating Income (Loss)					
New Zealand	$ (7)	$ (14)	$ 8	$ 5	$ 13
Other	(1)	(3)	(5)	(3)	(1)
Total	$ (8)	$ (17)	$ 3	$ 2	$ 12

	Year Ended December 31				
	1999	1998	1997	1996	1995
Forest Resources					
Sales					
Northwest U.S.	$ 73	$ 81	$ 81	$ 92	$ 96
Southeast U.S.	79	77(9)	70	67	72
New Zealand(10)	25	24	33	37	--
Total	$177	$182	$184	$196	$168
Operating Income					
Northwest U.S.	$ 52	$ 59	$ 58	$ 67	$ 72
Southeast U.S.	58	54	51	48	54
New Zealand(10)	6	8	8	15	--
Total	$116	$121	$117	$130	$126
EBITDA per share					
Northwest U.S.	$2.01	$2.22	$2.03	$2.29	$2.46
Southeast U.S.	2.45	2.25	2.03	1.87	2.08
New Zealand(10)	0.67	0.64	0.69	0.85	--
Total	$5.13	$5.11	$4.75	$5.01	$4.54

(1) Includes a charge of $125 million ($79 million after-tax) related to the closure of the Port Angeles, WA, pulp mill and write-off of other non-strategic assets

(2) Includes an after-tax charge to implement AICPA Statement of Position 96-1 related to future environmental monitoring costs

(3) Custodial capital spending is defined as capital expenditures to maintain current earnings level over the cycle and to keep facilities and equipment in safe and reliable condition, and in compliance with regulatory requirements.

(4) EBITDA is defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense, income taxes and depreciation, depletion and amortization.

(5) EBIT is defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense and income taxes.

(6) Free cash flow is defined as income from continuing operations plus depreciation, depletion and amortization, deferred income taxes and changes in working capital, less custodial capital spending and prior-year dividend levels.

(7) Based on operating income before provision for dispositions

(8) Based on income (loss) from continuing operations, including charges for pulp mill disposition

(9) Includes salvage timber sales of $2.3 million on volume of 279 resulting from the Southeast U.S. forest fires

(10) Forest Resources results for New Zealand began in 1996 when Rayonier reorganized its New Zealand operations into separate log trading and forestlands management organizations. Standing timber harvested by Rayonier and sold as logs was 1,133 in 1995.

(11) Includes sales volumes of the Plummer, ID, lumber mill, which closed in July 1998 after fire damaged the facility, of 51, 77, 79 and 23 for the years 1998 - 1995, respectively

(12) Excludes sales volumes of the Port Angeles, WA, pulp mill, which ceased operations on February 28, 1997, of 35, 94 and 98 for the years 1997-1995, respectively

(13) Excludes sales volumes of the Port Angeles, WA, pulp mill of 7, 18 and 36 for the years 1997-1995, respectively

(14) Special items include the large land sale in the Southeast U.S., the corporate office restructuring and relocation costs, the non-strategic asset sale in the Northwest U.S. and the noncash charge for a prior year contract dispute in 1999, the Southeast U.S. forest fires in 1998, the gains from sale of timber assets in New Zealand in 1997 and 1995 and the charges discussed in (1) and (2) above in 1996.

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

SEGMENT INFORMATION

Rayonier operates in two major business segments, Timber and Wood Products and Specialty Pulp Products. The Timber and Wood Products segment includes two reportable business units: Forest Resources and Trading, and Wood Products. Chemical Cellulose, and Fluff and Specialty Paper Pulps are product lines within the Specialty Pulp Products segment.

The amounts and relative contributions to sales and operating income attributable to each of Rayonier's reportable business units, for each of the three years ended December 31, 1999, were as follows in millions:

	Year Ended December 31		
SALES	1999	1998	1997
Timber and Wood Products			
Forest Resources and Trading	$ 457	$ 402	$ 420
Wood Products	120	121	133
Total Timber and Wood Products	577	523	553
Specialty Pulp Products			
Chemical Cellulose	285	309	338
Fluff and Specialty Paper Pulps	175	179	182
Total Specialty Pulp Products	460	488	520
Intersegment eliminations	(1)	(2)	(3)
Total before dispositions	1,036	1,009	1,070
Dispositions	--	--	34
Total sales	$ 1,036	$ 1,009	$ 1,104
OPERATING INCOME (LOSS)			
Timber and Wood Products			
Forest Resources and Trading	$ 113	$ 118	$ 118
Wood Products	--	(16)	6
Total Timber and Wood Products	113	102	124
Specialty Pulp Products	39	34	56
Corporate and other	(16)	(12)	(17)
Total before dispositions	136	124	163
Dispositions	--	--	3
Total operating income	$ 136	$ 124	$ 166

BUSINESS CONDITIONS

Rayonier's net income in 1999 was $69 million, or $2.44 per share, compared to $64 million, or $2.22 per share in 1998. Excluding the impact of special items in each year (please refer to pages 10 and 11), 1999 net income was $65 million, or $2.32 per share, and 1998 net income was $70 million, or $2.44 per share. Special items in 1999 mainly relate to a large land sale in the Southeast U.S., the corporate office restructuring and relocation costs, the gain on sale of a non-strategic marine terminal and associated assets in the Northwest U.S. and the non-cash charge for a prior year contract dispute. Special items in 1998 primarily refer to reduced realizations on fire-damaged timber as a result of forest fires in the Southeast U.S.

In 1999, 45 percent of Rayonier sales were made to customers outside the U.S., compared to 42 percent in 1998. Last year was a favorable turning point in most of the Company's markets. The pulp cycle upturn firmed in the second half and Asian markets strengthened for timber and wood products. The domestic housing market remained strong, which benefited the lumber business.

In Timber and Wood Products, the Wood Products business strengthened due to continued price and cost improvements at the Company's medium-density fiberboard (MDF) plant in New Zealand and higher prices for lumber. The Forest Resources and

Trading business unit was adversely affected by lower prices for timber and the costs associated with the closure of a wood products distribution business in the Northwest U.S. These unfavorable results were partially offset by higher land sales in the Southeast U.S.

Specialty Pulp segment performance in 1999 improved due to higher fluff pulp prices and lower manufacturing costs.

On October 25, 1999, the Company acquired approximately 968,000 acres of forestland in Florida, Georgia and Alabama from Jefferson Smurfit Corporation (U.S.) for a total cost of $716.4 million. This purchase more than doubled Rayonier's Southeast timber holdings. The 1999 impact of additional interest expense associated with the acquisition, net of operating gains, amounted to $7.2 million, or 16 cents per share.

Rayonier sold a marine terminal and associated assets in the Northwest U.S. for a gain of $7.7 million, as part of its programs to divest non-strategic assets and reduce debt. A large land sale in the Southeast U.S. resulted in a gain of $5 million, as part of an ongoing program to convert forestlands for higher and better use. The Company also sells non-strategic land that is not an integral part of its asset base. Sales of non-strategic Southeast forestlands, with approximately $50 million in cash proceeds, are planned for the first half of 2000, as part of the continuing program to reduce debt.

Rayonier's capital spending in 1999 was focused on cost reduction, quality and productivity improvements in Specialty Pulp Products and Wood Products and investment in forestlands. These investments are expected to help moderate the cyclical effects of the pulp market cycle, improve bottom-of-the-cycle earnings and add value to existing assets. See Liquidity and Capital Resources.

Continued strength in fluff pulp markets, increased Asian demand and expected improvements from U.S. and New Zealand wood products businesses should improve operating results in 2000. However, net income for the first three quarters of 2000 may lag 1999 results as the Company fully absorbs the Smurfit forestland acquisition financing costs.

RESULTS OF OPERATIONS, 1999 VS. 1998

Sales and Operating Income

Sales increased 3 percent to $1.036 billion in 1999, reflecting higher Forest Resources and Trading activity, partially offset by weaker U.S. timber prices and reduced sales in the Specialty Pulp Products segment due to lower chemical cellulose prices and volume. Operating income for the year was $136 million, up from $124 million in 1998, due to improvements in Wood Products at the New Zealand MDF facility and a strong U.S. lumber market. Forest Resources and Trading results declined due to lower U.S. timber prices. Specialty Pulp Products results improved due to lower manufacturing costs and higher fluff pulp prices.

Timber and Wood Products

Sales and operating income were higher than the prior year by $54 million and $11 million, respectively.

Forest Resources and Trading

Forest Resources and Trading sales of $457 million in 1999 were $55 million above 1998 while operating income of $113 million decreased $5 million from 1998.

Sales improved due to higher wood products trading activity and increased log trading volume in Asian and U.S. domestic markets, partially offset by lower U.S. timber prices. Operating income declined due to lower Northwest U.S. timber sales and costs associated with the closure of a wood products distribution business, partly offset by higher land sales in the Southeast U.S., including a relatively large transaction in the fourth quarter resulting in a gain of $5 million. Operating income was reduced by $10 million in 1998 due to the Southeast U.S. forest fires, including $7 million on lower pricing for salvage timber and $3 million on the write-off of destroyed timber assets and other fire-related expenses. Timber prices were unusually high in Southeast U.S. markets during the first half of 1998 due to unusually wet weather that led to restricted supply because of difficult logging conditions. In 1999, timber prices declined in the Northwest U.S. due to the impact of the Asian economic crisis on export products and in the Southeast U.S. due to reduced pulpwood demand resulting from pulp and paper mill closures and downtime in the region.

Wood Products

Wood Products sales of $120 million in 1999 approximate the 1998 level. Improved volume and sales price for the MDF plant, and a strong Southeast U.S. lumber market were offset by the absence of sales from the Plummer, ID, sawmill. This lumber mill was closed in July 1998, after fire damaged the facility, and subsequently was sold in

September 1999. Operating income broke even in 1999 compared to a loss of $16 million in 1998. The favorable variance resulted from continued improvements at the MDF plant in both selling price and manufacturing costs combined with higher lumber selling prices.

Specialty Pulp Products

Pulp sales of $460 million for the Company's Jesup and Fernandina pulp mills were $28 million below the prior year level principally due to reduced customer demand and selling prices for chemical cellulose pulp products partly offset by higher fluff pulp prices. Operating income of $39 million was $5 million above 1998 as a result of higher fluff pulp prices and lower wood, chemical and maintenance costs. Pulp production costs decreased to $596 per ton in 1999 from $638 per ton in 1998, primarily resulting from lower wood and chemical costs. These gains were partially offset by lower chemical cellulose pricing and market related shutdown costs for the Fernandina mill.

Corporate and Other

Corporate and other costs for 1999 were higher than 1998, principally due to $4.1 million of expense associated with the Company's corporate office restructuring and pending relocation to Jacksonville, FL. The projected impact on first half 2000 results for additional relocation costs is approximately $5.5 million.

Other Income/Expense

Interest expense for 1999 increased $7 million to $42 million reflecting higher debt levels associated with the Smurfit forestland acquisition net of a lower debt level (excluding debt associated with Smurfit) and lower average interest rates.

Other income improved $4 million over 1998 due to the October sale of the non-strategic marine terminal and related assets in the Northwest U.S. for $9.5 million, resulting in a one-time gain of $7.7 million. This gain was partially offset by a non-cash charge for an unrelated contract dispute of $4.6 million.

Rayonier purchases foreign currency forward contracts to offset the impact of New Zealand/U.S. dollar exchange fluctuations on operating results. The mark-to-market loss on these contracts, included in "Interest and miscellaneous income (expense), net," was relatively minor in 1999, as compared to a mark-to-market loss of $1 million in 1998. In 1999 the New Zealand/U.S. dollar exchange rate moved slightly from 0.52 on January 1, 1999, to 0.51 on December 31, 1999.

Acquisition of Smurfit Forestland

On October 25, 1999 the Company completed the forestland purchase from Jefferson Smurfit Corporation (U.S.). The final acquisition cost of the forestland was $716.4 million for approximately 968,000 owned and long-term leased acres in Georgia, Florida and Alabama. Rayonier now is the seventh largest private forestland owner in the U.S., with 2.2 million acres. As is typical of newly acquired forestland, the properties are expected to be earnings dilutive initially. The projected effect on 2000 quarterly results is estimated to be approximately 20-22 cents per share due to higher interest expense and timber depletion costs. It is also expected that consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) will increase significantly next year by approximately $70 - $74 million due to the acquisition.

Income Taxes

The effective tax rate for 1999 was 30 percent compared to 29 percent in 1998. The effective tax rates are below U.S. statutory rates, primarily resulting from the lower rates in effect for foreign subsidiaries, and research and investment tax credits.

RESULTS OF OPERATIONS, 1998 VS. 1997

Sales and Operating Income

Sales declined 9 percent to $1,009 million in 1998, reflecting lower sales in each of the Company's major business segments and the absence of sales from the Company's Port Angeles pulp mill, permanently closed in February 1997. Operating income for the year was $124 million, down from $166 million in 1997, due to Wood Products losses at the New Zealand MDF facility and lower pricing within Specialty Pulp. Forest fires in the Southeast U.S. in early July resulted in losses of $10 million from damage to pre-merchantable timber, reduced sales revenue for fire-damaged timber and other related costs. In addition, the unusually wet weather conditions in the first half of the year disrupted production schedules and raised the cost of wood fiber at the Company's pulp and sawmills in the Southeast U.S.

Timber and Wood Products

Sales and operating income were lower than prior year by $30 million and $22 million, respectively.

Forest Resources and Trading

Forest Resources and Trading sales of $402 million in 1998 decreased from $420 million in 1997 while operating income of $118 million was similar to 1997.

Standing timber and log trading sales decreased from 1997 due to lower prices in the Northwest U.S. and lower prices and volumes in New Zealand partly offset by sales from a newly established wood products trading business and stronger domestic log trading volume. Operating income levels were maintained in 1998 due to a strong Southeast U.S. timber market in the first half of the year, when unusually wet weather conditions led to restricted supply, and stronger Southeast U.S. land sales. These positive factors offset the $10 million adverse impact associated with the Southeast U.S. forest fires in the second half of the year, and lower Northwest U.S. and New Zealand selling prices due to weak Asian demand.

Wood Products

Wood Products sales of $121 million in 1998 decreased from $133 million in 1997 due to weaker U.S. lumber prices and sales volume partially offset by a full year of product sales from the New Zealand MDF facility, which began operations in the fourth quarter of 1997. Wood Products incurred an operating loss of $16 million in 1998 compared to operating income of $6 million in 1997. A full year of MDF operating losses, weaker lumber selling prices and volume and higher log costs in the Southeast U.S. affected 1998 results. The MDF facility, which contributed most of the operating losses, was affected by weak demand for forest products from Asian markets and worldwide overcapacity in MDF.

Specialty Pulp Products

Pulp sales of $488 million for the Company's Jesup and Fernandina mills were $32 million below the prior year principally due to reduced customer demand for chemical cellulose. Operating income of $34 million was $22 million below 1997 as a result of lower chemical cellulose volume and higher wood fiber costs. Pulp production costs increased to $638 per ton in 1998 from $612 in 1997, primarily resulting from higher wood costs (weather related) in the first half and a market related shutdown at Fernandina in the fourth quarter.

Corporate and Other

Corporate and other costs for 1998 were favorable to 1997, reflecting lower administrative and general expenses.

Dispositions

Dispositions results include the Company's Port Angeles pulp mill, permanently closed in February 1997. Sales and operating income in 1997 were $34 million and $3 million, respectively. There were no sales in 1998.

Other Income/Expense

Interest expense for 1998 increased $9 million to $35 million reflecting higher average debt levels associated with the $66 million purchase in January of the outstanding publicly traded Class A Units in RTLP. In addition, there was insignificant capitalized interest in 1998 compared to $5 million in 1997, primarily relating to the Company's New Zealand MDF facility.

Rayonier purchases foreign currency forward contracts to offset the impact of New Zealand/U.S. dollar exchange fluctuations on operating results. The mark-to-market loss on these contracts, included in "Interest and miscellaneous income (expense), net," was $1 million in 1998, as compared to a mark-to-market loss of $3 million in 1997. In contrast, the 1998 movement of the New Zealand/U.S. dollar exchange rate from 0.58 on January 1, 1998, to 0.52 on December 31, 1998, had a favorable effect of $4 million on the Company's New Zealand operating income.

From time to time the Company opportunistically sells non-strategic assets to maximize value from its asset mix. During 1997, the Company sold a 75 percent interest in two New Zealand forests to a timber investment fund. The transaction resulted in a pretax gain of $8.4 million, $5.6 million after-tax, or 19 cents per share. No similar transactions occurred during 1998.

Acquisition of Minority Interest in RTLP

In January 1998, Rayonier exercised its right to acquire all of the 5,060,000 publicly traded Class A Units of RTLP for a cash purchase price of $13.00 per unit, or $66 million in total, in accordance with the terms of the RTLP Partnership Agreement. The effect of that purchase was to eliminate the minority interest in the Partnership earnings, which was $26 million in 1997. The positive impact was partially offset by higher interest and depletion costs in 1998. The acquisition was accounted for under the purchase method and was financed by the utilization of existing credit facilities.

Income Taxes

The effective tax rate for 1998 was 29 percent compared to 28 percent in 1997. The effective tax rates are below U.S. statutory rates, primarily resulting from the lower rates in effect for foreign subsidiaries and research and investment tax credits.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities in 1999 of $217 million, or approximately $8 per share, increased $60 million from 1998 principally as a result of decreased working capital requirements and higher net income. This cash flow helped to finance capital expenditures of $95 million, dividends of $36 million and the repurchase of Common Shares of $24 million and also helped to reduce debt by $70 million, excluding the Smurfit forestland acquisition.

Cash from operating activities in 1998 decreased $96 million from the 1997 level to $157 million. This cash flow financed capital expenditures of $95 million, dividends of $35 million and the repurchase of Common Shares of $27 million.

In 1996, the Company began a Common Share repurchase program to minimize the dilutive effect on earnings per share of its employee incentive stock plans. This program limits the number of shares that may be repurchased each year to the greater of 1.5 percent of the Company's outstanding shares or the number of incentive shares actually issued to employees during the year. In July 1998, the Company's Board of Directors increased the authorized number of common shares to be repurchased by 200,000 and in October 1998, the Board authorized the repurchase of an additional one million shares through December 31, 2000. These share repurchases were authorized in addition to the 1.5 percent of outstanding shares normally repurchased each year to offset the dilutive effect of incentive stock programs on earnings per share. The Company repurchased 551,867 shares in 1999 at an average cost of $43.11 for a total of $24 million, compared to 628,479 shares in 1998, at an average cost of $42.24 for a total of $27 million, and 1,123,500 shares in 1997 at an average cost of $43.08 for $48 million.

In 1999, EBITDA (defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense, income taxes and depreciation, depletion and amortization) was $246 million, or $8.72 per share, an increase of $20 million from 1998 results primarily due to higher cash operating income. In 1998, EBITDA was $226 million, or $7.90 per share, compared to $237 million, or $8.07 per share, in 1997. Free cash flow (defined as income from continuing operations plus depreciation, depletion and amortization, deferred income taxes and changes in working capital, less custodial capital spending and prior-year dividend levels) increased $55 million to $121 million in 1999 primarily as a result of working capital changes and higher net income.

Debt increased $646 million in 1999 to $1,136 million, primarily due to the acquisition of forestland assets from Jefferson Smurfit Corporation (U.S.) for $716 million. The year-end debt-to-capital ratio of 63.5 percent is 20 percentage points above prior year-end due to the Smurfit forestland acquisition. Excluding the impact of the Smurfit forestland acquisition, the debt-to-capital ratio would have been 38.6 percent. The percentage of debt with fixed interest rates was 62 percent as of December 31, 1999, and 44 percent as of December 31, 1998.

The most restrictive long-term debt covenant in effect for Rayonier at December 31, 1999, provided that the ratio of total debt to EBITDA not exceed 5.5 to 1 at the end of 1999 and at the end of each calendar quarter of 2000. Under the same covenant, effective March 31, 2001 and at the end of subsequent calendar quarters, that ratio cannot exceed 4.0 to 1. As of December 31, 1999, the ratio was 4.7 to 1. The most restrictive long-term debt covenants in effect for RTOC at December 31, 1999, provided that the ratio of consolidated cash flow available for fixed charges to consolidated fixed charges not be less than 1.6 to 1, and that the ratio of consolidated total debt to consolidated cash flow available for fixed charges not exceed 4.5 to 1. As of December 31, 1999, the ratios were 2.2 to 1 and 4.2 to 1, respectively. In addition, $422 million of retained earnings was unrestricted as to the payment of dividends.

Capital expenditures of $95 million in 1999 included $69 million of custodial capital spending, $11 million to upgrade the Swainsboro, GA, sawmill, and $3 million to automate and upgrade control systems at the pulp mills. The lumber mill modernization project included drying and finishing facilities as well as enhanced process control technology. Rayonier expects to invest $180-$220 million in capital projects during the two-year period 2000-2001. Capital projects include profit improvement, custodial capital, sawmill modernization, forestlands reforestation and various projects to comply with new environmental laws and requirements. As new environmental regulations are promulgated, additional capital spending may be required to ensure continued compliance with environmental standards. See Environmental Regulation.

The Company has unsecured credit facilities totaling $300 million, which were used as support for $75 million of outstanding commercial paper. As of December 31, 1999, Rayonier had $215 million available under its revolving credit facilities. In connection with the financing of the Smurfit forestland acquisition, RTOC entered into an agreement with a group of banks that provided RTOC with revolving credit facilities totaling $75 million and expiring in 2004. As of December 31, 1999, RTOC had $43 million of available borrowings under its revolving credit facilities. In addition, the Company has on file with the Securities and Exchange Commission shelf registration statements to offer $150 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.

ENVIRONMENTAL REGULATION

Rayonier is subject to stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal that, in the opinion of management, will require substantial expenditures over the next 10 years. During 1999, 1998 and 1997, Rayonier spent approximately $3 million, $3 million and $4 million, respectively, for capital projects related to environmental compliance for ongoing operations. During the two-year period 2000-2001, Rayonier expects to spend approximately $20 million on such capital projects.

During 1997, the Environmental Protection Agency (EPA) finalized its Cluster Rules governing air emissions but, due to the specialty nature of Rayonier's products and operations, postponed finalizing water discharge rules and certain air emissions rules governing the Company's pulp mills. The Company continues to work with the EPA to establish such rules for the pulp mills, but the timing and costs associated with such rulemaking are uncertain. In the opinion of management, capital costs to be incurred over the next three to five years associated with environmental regulations will not exceed $30 million at the Fernandina pulp mill and $50 million at the Jesup pulp mill.

Federal, state and local laws and regulations intended to protect threatened and endangered species as well as wetlands and waterways limit and may prevent timber harvesting, road building and other activities on private lands. A portion of the Company's forestlands is subject to some level of harvest restrictions. In particular, over the past several years, the harvest of timber from the Company's forestlands in the state of Washington has been restricted as a result of the listing of the northern spotted owl, the marbled murrelet and several species of salmon and trout as threatened species under the Endangered Species Act. These restrictions have caused Rayonier to restructure and reschedule some of its harvest plans. Emergency and permanent rules are in the process of being adopted in Washington state pursuant to a statute intended to implement an agreement between the timber industry and local government entities to protect the salmon. These rules will further reduce the proportion of Rayonier's Northwest forestlands available for commercial timber management and the total volume of timber available for harvest. Rayonier has made changes to its long-term harvest plan to compensate for these restrictions and does not anticipate a material adverse change in its harvest schedule in the near term. Such efforts are ongoing and, in the opinion of management, will not have a material impact on the Company's consolidated financial position or results of operations.

Dispositions and discontinued operations include Rayonier's Port Angeles, WA, pulp mill, which was closed on February 28, 1997; its interest in the Grays Harbor, WA, pulp and paper complex, which was closed in 1992; its wholly owned subsidiary, Southern Wood Piedmont Company, which ceased operations in 1986; Rayonier's Eastern Research Division, which ceased operations in 1981; and other miscellaneous assets held for disposition. Rayonier currently estimates that expenditures during 2000-2001 for environmental remediation and monitoring costs for all dispositions and discontinued operations will total approximately $28 million. Such costs will be charged against Rayonier's reserves for estimated environmental obligations (including monitoring and remediation costs) that the Company believes are sufficient for costs expected to be incurred over the next 25-30 years with respect to dispositions and discontinued operations. At December 31, 1999, these reserves totaled approximately $169 million. The amount of actual future environmental costs is dependent on the outcome of negotiations with federal and state agencies and may also be affected by new laws, regulations and administrative interpretations, and changes in environmental remediation technology. Based on information currently available, the Company does not believe that any future changes in estimates, if necessary, would materially affect its consolidated financial condition or results of operations.

MARKET RISK

The Company is exposed to various market risks, including changes in commodity prices, interest rates and foreign currency exchange rates. The Company's objective is to minimize the impact of these market risks on its earnings, cash flow and equity. Derivatives are used, as noted below, in accordance with policies and procedures approved by the Board of Directors and are managed by a senior executive committee whose responsibilities include initiating, managing and monitoring resulting exposures. The Company does not enter into financial instruments for trading purposes.

Most of the Company's revenues and expenses are U.S.-dollar denominated. However, the Company does have some risk within its New Zealand operations related to foreign currency pricing and costs. The Company enters into foreign currency forward contracts periodically to manage the risks of foreign currency fluctuations as they relate to the cash flow and earnings of that business unit. The Company also periodically enters into commodity forward contracts to fix certain energy costs. At December 31, 1999, the Company held foreign currency contracts maturing through February 2001 totaling $28 million and there were no commodity forward contracts outstanding. The fair value of foreign currency contracts, at year end, was a loss of less than $0.1 million. Market risk resulting from a hypothetical two cent change in the New Zealand dollar / U.S. dollar exchange rate amounts to approximately $1 million.

The Company periodically enters into interest rate swap agreements to manage its exposure to interest rate changes, or in back to back arrangements at the time debt is issued in order to cost effectively place that debt. These swaps involve the exchange of fixed and variable interest rate payments without exchanging notional principal amounts. At December 31, 1999, the Company had one interest rate swap agreement in existence with a notional amount of $5 million that matures in 2001 that swapped a fixed 6 percent interest rate for a three-month LIBOR rate plus 39 basis points. The swap agreement was initiated at the time a fixed rate medium-term note with similar maturity was placed. The fair value of the interest rate swap, at year-end, was a gain of less than $0.1 million. Market risk resulting from a hypothetical one percentage point increase in the three-month LIBOR rate (100 basis points) was not material.

The fair market value of long-term fixed interest rate debt is subject to interest rate risk; however, the Company intends to hold most of its debt until maturity. Occasionally, callable bonds will be refinanced at the Company's option if favorable economic conditions exist. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of the Company's fixed rate debt at December 31, 1999 was $700 million compared to $709 million in carrying value. A one percentage point decrease in prevailing interest rates at December 31, 1999, would result in an increase in the fair value of the Company's fixed rate debt of approximately $44 million.

YEAR 2000 COMPLIANCE

Rayonier began its company-wide Year 2000 Project in 1996. The Project was designed to identify Year 2000 problems and take corrective action covering business and process control systems, networking communications, personal computer applications, embedded microprocessors and third party supplier and customer risks. The Y2K transition was uneventful as Rayonier moved into the year 2000.

The total amount expended on the Year 2000 Project through the end of 1999 was approximately $3.3 million. Many of the Company's systems were upgraded or replaced in the ordinary course of business during the last five years, and costs related to those upgrades and replacements are not included in the Year 2000 Project expenses.

SAFE HARBOR

Comments about market trends, anticipated earnings and activities in 2000 and beyond, including disclosures about the Company's environmental spending, 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: failure to close on sales of non-strategic forestlands; governmental policies and regulations affecting the environment, import and export controls and taxes; adverse weather conditions in the Company's operating areas; competitive products and pricing, as well as fluctuations in demand, particularly for specialty fluff pulps, export and domestic logs, and wood products; the impact of such market factors on the Company's timber sales in the United States and New Zealand; the impact of global market conditions on prices and volumes; production costs for wood products and for specialty pulps, particularly for raw materials such as wood and chemicals; and interest rate and currency movements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Financial Statements on page ii.

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

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by Item 10 with respect to directors is incorporated herein by reference to the definitive proxy statement involving the election of directors filed or to be filed by Rayonier with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Form 10-K.

The information called for by Item 10 with respect to executive officers is set forth above in Part I under the caption Executive Officers of Rayonier.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated herein by reference to the definitive proxy statement referred to above in Item 10.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by Item 12 is incorporated herein by reference to the definitive proxy statement referred to above in Item 10.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

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

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

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

3. See Exhibit Index on pages B, C, D, E and F for a list of the exhibits filed or incorporated herein as part of this report.

(b) Reports on Form 8-K :

1. Rayonier Inc. filed a current report on Form 8-K on November 9, 1999 and a Form 8-K/A, Amendment No. 1 on November 12, 1999.

REPORT OF MANAGEMENT

To Our Shareholders

Rayonier management is responsible for the preparation and integrity of the information contained in the accompanying financial statements. The statements were prepared in accordance with generally accepted accounting principles and, where necessary, include amounts that are based on management's best judgments. Rayonier's system of internal controls includes accounting controls and an internal audit program. This system is designed to provide reasonable assurance that Rayonier's assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization, and fraudulent financial reporting is prevented or detected.

Rayonier's internal controls provide for the careful selection and training of personnel and for appropriate divisions of responsibility. The controls are documented in policies, procedures and a written code of conduct that are communicated to Rayonier's employees. Management continually monitors the system of internal controls for compliance. Rayonier's independent public accountants, Arthur Andersen LLP, evaluate and test internal controls as part of their annual audit and make recommendations for improving internal controls. Management takes appropriate action in response to each recommendation. The Board of Directors and the officers of Rayonier monitor the administration of Rayonier's policies and procedures and the preparation of financial reports.

W. L. NUTTER
Chairman, President and
Chief Executive Officer

GERALD J. POLLACK
Senior Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Rayonier Inc.

We have audited the accompanying consolidated financial statements of Rayonier Inc. (a North Carolina corporation) and subsidiaries as of December 31, 1999 and 1998, and for each of the three years in the period ended December 31, 1999, as described in the Index to Financial Statements. These financial statements are the responsibility of Rayonier's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rayonier Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Stamford, Connecticut
January 19, 2000

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

	1999	1998	1997
SALES	$ 1,035,871	$ 1,008,566	$ 1,104,228
Costs and Expenses			
Cost of sales	867,096	852,483	902,734
Selling and general expenses	39,644	35,467	42,410
Other operating (income) expense, net	(6,599)	(3,507)	(7,046)
	900,141	884,443	938,098
OPERATING INCOME	135,730	124,123	166,130
Interest expense	(42,193)	(34,712)	(25,868)
Interest and miscellaneous income (expense), net	(3,163)	743	(2,490)
Gains from sale of assets	7,746	--	8,395
Minority interest	--	--	(25,520)
INCOME BEFORE INCOME TAXES	98,120	90,154	120,647
Income tax expense	(29,467)	(26,519)	(33,328)
NET INCOME	$ 68,653	$ 63,635	$ 87,319
NET INCOME PER COMMON SHARE			
BASIC EPS	$ 2.48	$ 2.26	$ 3.03
DILUTED EPS	$ 2.44	$ 2.22	$ 2.97

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31,
(Thousands of dollars)

ASSETS

	1999	1998
CURRENT ASSETS		
Cash and short-term investments	$ 12,265	$ 6,635
Accounts receivable, less allowance for doubtful accounts of $4,859 and $4,843	103,535	118,762
Inventories	105,079	98,910
Timber purchase agreements	30,477	35,776
Other current assets	11,107	13,192
Deferred income taxes	9,143	8,559
Total current assets	271,606	281,834
OTHER ASSETS	77,094	65,988
TIMBER PURCHASE AGREEMENTS	7,816	20,922
TIMBER, FORESTLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION	1,247,547	544,190
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, machinery and equipment	1,333,789	1,304,188
Less - accumulated depreciation	657,625	616,266
	676,164	687,922
	$2,280,227	$1,600,856

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

RAYONIER INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

As of December 31,
(Thousands of dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1999	1998
CURRENT LIABILITIES		
Accounts payable	$ 74,035	$ 65,844
Bank loans and current maturities	3,248	4,094
Accrued taxes	15,148	8,728
Accrued payroll and benefits	22,405	21,460
Accrued interest	11,160	6,182
Other current liabilities	48,895	44,279
Current reserves for dispositions and discontinued operations	18,980	22,167
Total current liabilities	193,871	172,754
DEFERRED INCOME TAXES	123,458	115,405
LONG-TERM DEBT	1,132,930	485,850
NON-CURRENT RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS	149,551	159,198
OTHER NON-CURRENT LIABILITIES	27,517	28,690
SHAREHOLDERS' EQUITY		
Common Shares, 60,000,000 shares authorized, 27,407,094 and 27,767,309 shares issued and outstanding	60,518	79,561
Retained earnings	592,382	559,398
	652,900	638,959
	$2,280,227	$1,600,856

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

RAYONIER INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

For the Year Ended December 31,
(Thousands of dollars)

	1999	1998	1997
OPERATING ACTIVITIES			
Net income	$ 68,653	$ 63,635	$ 87,319
Non-cash items included in income			
Depreciation, depletion and amortization	105,425	101,083	99,309
Deferred income taxes	2,768	11,659	14,045
Write-off of property, plant and equipment	--	5,730	2,100
Disposition of New Zealand timber assets	--	--	4,634
(Decrease) increase in other non-current liabilities	(1,173)	(3,307)	1,468
Change in accounts receivable, inventories and accounts payable	17,249	3,755	35,157
Decrease (increase) in current timber purchase agreements	5,299	(4,018)	(342)
Decrease (increase) in other current assets	2,086	763	(732)
Increase (decrease) in accrued liabilities	16,959	(21,179)	10,861
Reduction in reserves for dispositions	--	(1,050)	(900)
CASH FROM OPERATING ACTIVITIES	217,266	157,071	252,919
INVESTING ACTIVITIES			
Capital expenditures, net of sales and retirements of $2,713, $5,613 and $4,691	(91,880)	(89,099)	(132,272)
Acquisition of Smurfit forestlands	(231,436)	--	--
Acquisition of Rayonier Timberlands, L.P. Class A Units	--	(48,821)	--
Expenditures for dispositions and discontinued operations, net of tax benefits of $4,701, $6,033 and $8,793	(8,133)	(10,414)	(15,423)
Change in timber purchase agreements and other assets	13,291	(2,871)	(10,672)
CASH USED FOR INVESTING ACTIVITIES	(318,158)	(151,205)	(158,367)
FINANCING ACTIVITIES			
Issuance of debt	352,971	282,905	342,226
Repayments of debt	(191,737)	(218,480)	(349,617)
Dividends paid	(35,669)	(34,744)	(34,523)
Repurchase of Common Shares	(23,791)	(26,548)	(48,396)
Issuance of Common Shares	4,748	3,934	4,892
Buyout of minority interest	--	(16,959)	(1,905)
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	106,522	(9,892)	(87,323)
CASH AND SHORT-TERM INVESTMENTS			
Increase (decrease) in cash and short-term investments	5,630	(4,026)	7,229
Balance, beginning of year	6,635	10,661	3,432
Balance, end of year	$ 12,265	$ 6,635	$ 10,661
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest	$ 37,529	$ 34,868	$ 29,951
Income taxes	$ 17,152	$ 11,673	$ 8,671
NONCASH INVESTING AND FINANCING ACTIVITIES			
Acquisition of Smurfit forestlands	$ 485,000	--	--
Issuance of installment notes	$ 485,000	--	--

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands unless otherwise stated)

1. NATURE OF BUSINESS OPERATIONS

Rayonier operates in two major business segments, Timber and Wood Products, and Specialty Pulp Products.

TIMBER AND WOOD PRODUCTS

The Timber and Wood Products segment includes two reportable business units: Forest Resources and Trading, and Wood Products.

FOREST RESOURCES AND TRADING - Rayonier owns, leases or controls approximately 2.4 million acres of forestlands in the U.S. and New Zealand. Rayonier is also a leading exporter and trader of softwood logs, lumber and wood panel products.

WOOD PRODUCTS - Rayonier operates two lumber manufacturing facilities in the U.S. that produce dimension and custom lumber products for residential construction and industrial uses, and a medium-density fiberboard (MDF) facility in New Zealand that produces premium-grade MDF sold into world markets. The MDF facility began commercial operation in October 1997.

SPECIALTY PULP PRODUCTS

Rayonier is a leading specialty manufacturer of high-grade chemical cellulose, often called dissolving pulp, from which customers produce a wide variety of products, including textiles, industrial and filtration fibers, plastics and other chemical intermediate products. Rayonier also manufactures fluff pulps that customers use to produce diapers and other sanitary products, and specialty paper pulps used in the manufacture of products such as filters and decorative laminates. With the closure of the Port Angeles, WA, pulp mill on February 28, 1997, the Company now operates two pulp mills in the U.S. at Jesup, GA, and Fernandina Beach, FL, with an aggregate annual capacity of 700,000 metric tons. Over half of Rayonier's pulp production is sold to export customers, primarily in Europe and Asia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Rayonier and its subsidiaries. All significant intercompany balances and transactions are eliminated. Minority interest through December 31, 1997, represented public unitholders' proportionate share of the partners' capital of Rayonier's consolidated subsidiary, Rayonier Timberlands, L.P. (RTLP). During 1998, all outstanding public units were acquired by Rayonier.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain estimates by management (e.g., useful economic lives of assets) in determining the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments include cash, time deposits and readily marketable debt securities with maturities at date of acquisition of three months or less.

INVENTORIES

Inventories are valued at the lower of cost or market. The cost of manufactured pulp and MDF products is determined on the first-in, first-out (FIFO) basis. Other products are generally valued on an average cost basis. Inventory costs include material, labor and manufacturing overhead. Physical counts of inventories are made at least annually. Potential losses from obsolete, excess or slow-moving inventories are provided currently.

Inventories also include land that has a greater value as real estate than as forestlands. This higher and better use land, expected to be sold within one year, is included in "Inventories." Land held for resale, expected to be sold after one year, is included in "Other assets."

TIMBER PURCHASE AGREEMENTS AND TIMBER-CUTTING CONTRACTS

Rayonier purchases timber for use in its log trading, pulp and wood products businesses. The purchases are classified as current for timber expected to be harvested within one year of the balance sheet date. The remainder is classified as a non-current asset.

Rayonier evaluates the realizability of timber purchases and timber-cutting contracts based on the estimated aggregate cost of such harvests and the sales values to be realized. Losses are recorded in the period that a determination is made that the aggregate harvest costs in a major operating area will not be fully recoverable.

DEFERRED DEBT ISSUANCE COSTS

Debt issuance costs, amounting to approximately $9.6 million and $2.3 million at December 31, 1999 and 1998, respectively, are included in "other assets." Approximately $7.4 million was incurred in 1999 in connection with the smurfit forestlands acquisition. See note 6. Such costs are amortized to interest expense over the respective lives of the debt instruments. Expenses amounted to $529, $419 and $468 in 1999, 1998 and 1997, respectively.

DEFERRED SOFTWARE

Software costs have been capitalized and are being amortized over their useful life, generally a period not exceeding 60 months. Deferred software costs included in "Other assets," net of accumulated amortization, totaled $15,293 and $16,727 as of December 31, 1999 and 1998, respectively. Amortization expense amounted to $4,248, $3,028 and $2,918 in 1999, 1998 and 1997, respectively.

TIMBER AND FORESTLANDS

The acquisition cost of land, timber, real estate taxes, lease rental payments, site preparation and other costs relating to the planting and growing of timber are capitalized. Such accumulated costs attributed to merchantable timber are charged against revenue at the time the timber is harvested based on the relationship of harvested timber to the estimated volume of currently merchantable timber. Timber and forestlands are stated at the lower of original cost, net of timber cost depletion, or market value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment additions are recorded at cost, which includes applicable freight, taxes, interest, construction and installation costs. Interest capitalized in connection with major construction projects, primarily the New Zealand MDF facility in 1997, amounted to $314, $262, and $5,005 during 1999, 1998 and 1997, respectively. Upon ordinary retirement or sale of property, accumulated depreciation is charged with the cost of the property removed and credited with the proceeds of salvage value, with no gain or loss recognized. Gains and losses with respect to any significant and unusual retirements of assets are generally included in operating income.

DEPRECIATION

Pulp and MDF manufacturing facilities are generally depreciated using the units of production method. Depreciation on buildings and other equipment is provided on a straight-line basis over the useful economic lives of the assets involved. Rayonier normally claims the maximum depreciation deduction allowable for tax purposes.

RESEARCH AND DEVELOPMENT

Significant costs are incurred for research and development programs expected to contribute to the profitability of future operations. Such costs are expensed as incurred. Research and development expenditures amounted to $10,179, $10,720, and $9,656 in 1999, 1998 and 1997, respectively.

FOREIGN CURRENCY TRANSLATION

For significant foreign operations, including Rayonier's New Zealand-based operations, the U.S. dollar is the functional currency. Monetary assets and liabilities of foreign subsidiaries are translated into U.S. dollars at current exchange rates. Non-monetary assets, such as inventories, timber and property, plant and equipment, are translated at historical exchange rates. Income and expense items are translated at average exchange rates prevailing during the year, except that inventories, depletion and depreciation charged to operations are translated at historical rates. Exchange gains and losses arising from translation are recognized currently in "Other operating (income) expense, net."

INCOME TAXES

Income taxes on foreign operations are provided based upon the statutory tax rates of the applicable foreign country. Additional U.S. income taxes have not been provided on approximately $51 million of undistributed foreign earnings as the Company intends to permanently reinvest such earnings in expanding foreign operations.

3. SEGMENT AND GEOGRAPHICAL INFORMATION

Rayonier adopted Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures About Segments of an Enterprise and Related Information" in 1998, which changed the way the Company reports information about its operating segments. The accounting policies of the operating segments are the same as those described in the Summary of Significant Accounting Policies. Sales between operating segments and reportable business units are made based on a fair market value and intercompany profit or loss is eliminated in consolidation. The Company evaluates financial performance based on the operating income of the reportable business units.

Rayonier operates in two major business segments, Timber and Wood Products, and Specialty Pulp Products. The Timber and Wood Products segment includes two reportable business units under SFAS No. 131: Forest Resources and Trading, and Wood Products. Forest Resources and Trading manages forestlands and sells standing timber, purchases and harvests timber to sell logs, and purchases lumber and wood panel products for resale. Wood Products manufactures and sells dimension and specialty lumber and medium-density-fiberboard products. Specialty Pulp Products produces and sells chemical cellulose, fluff and specialty pulps. Dispositions includes activities of former operating units, including the Company's Port Angeles, WA, mill, which was permanently closed in 1997.

Please refer to Note 1, which describes the Company's business segments in further detail. Segment information for the three years ended December 31 follows (millions of dollars):

	Sales			Operating Income		
	1999	1998	1997	1999	1998	1997
Timber and Wood Products						
Forest Resources and Trading	$ 457	$ 402	$ 420	$ 113	$ 118	$ 118
Wood Products	120	121	133	--	(16)	6
	577	523	553	113	102	124
Specialty Pulp Products	460	488	520	39	34	56
Corporate and other	(1)	(2)	(3)	(16)	(12)	(17)
Dispositions	--	--	34	--	--	3
Total	$ 1,036	$ 1,009	$ 1,104	$ 136	$ 124	$ 166

	GROSS PLANT ADDITIONS 1999	1998	1997	DEPRECIATION, DEPLETION AND AMORTIZATION 1999	1998	1997	IDENTIFIABLE ASSETS 1999	1998	1997
Timber and Wood Products									
Forest Resources and Trading	$ 29	$ 28	$ 37	$ 29	$ 26	$ 23	$1,409	$ 691	$ 666
Wood Products	14	7	38	10	10	8	163	164	162
	43	35	75	39	36	31	1,572	855	828
Specialty Pulp Products	51	59	61	65	65	66	670	690	691
Corporate and other	1	1	1	1	--	1	23	33	46
Dispositions	--	--	--	--	--	1	15	23	31
Total	$ 95	$ 95	$ 137	$ 105	$ 101	$ 99	$2,280	$1,601	$1,596

Custodial capital spending was $69 million, $58 million, and $72 million in 1999, 1998 and 1997, respectively. Custodial capital spending is defined as capital expenditures to maintain current earnings level over the cycle and to keep facilities and equipment in safe and reliable condition, and in compliance with regulatory requirements.

Corporate and other segment sales represent intersegment sales eliminations. Corporate and other segment operating income (loss) represent unallocated corporate expenses.

GEOGRAPHICAL OPERATING INFORMATION

Information by geographical operating area for the three years ended December 31 follows (millions of dollars):

OPERATING LOCATION	SALES 1999	1998	1997	OPERATING INCOME 1999	1998	1997	IDENTIFIABLE ASSETS 1999	1998	1997
United States	$ 906	$ 928	$ 992	$ 144	$ 141	$ 163	$1,940	$1,253	$1,222
New Zealand	85	64	90	(7)	(14)	8	326	336	357
All other	45	17	22	(1)	(3)	(5)	14	12	17
Total	$1,036	$1,009	$1,104	$ 136	$ 124	$ 166	$2,280	$1,601	$1,596

Rayonier's sales for the last three years by geographical destination are as follows (millions of dollars):

SALES DESTINATION

	Sales by Destination 1999	%	1998	%	1997	%
United States	$ 574	55	$ 587	58	$ 568	51
Japan	122	12	107	11	173	16
Other Asia	155	15	109	11	154	14
Europe	92	9	121	12	127	12
Latin America	61	6	54	5	59	5
All other	32	3	31	3	23	2
Total	$1,036	100	$1,009	100	$1,104	100

4. FINANCIAL INSTRUMENTS

In June 1998, the Financial Accounting Standards Board issued sfas no. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that derivative instruments be recorded on the balance sheet as either an asset or liability measured at fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000, but may be adopted as of the beginning of any fiscal quarter after issuance. Upon adoption, SFAS No. 133 is not expected to have a material impact on the company's consolidated financial position or results of operations.

INTEREST RATE SWAP AGREEMENTS

Rayonier periodically uses interest rate swap agreements to manage exposure to interest rate fluctuations. The outstanding agreement involves the exchange of fixed rate interest payments for floating rate interest payments over the life of the agreement without the exchange of any underlying principal amounts. Rayonier's credit exposure is limited to the fair value of the agreements, and the Company only enters into agreements with highly rated counterparties. The Company does not enter into interest rate swap agreements for trading or speculative purposes and matches the terms and contract notional amounts to existing debt or debt expected to be refinanced. The net amounts paid or received under interest rate swap agreements are recognized as an adjustment to interest expense.

At December 31, 1999, the Company had an interest rate swap agreement with a total notional value of $5 million, expiring February 23, 2001. The agreement effectively converts a fixed rate obligation at 6 percent to a floating rate of three-month LIBOR plus 39 basis points. If the Company were to terminate its existing interest rate swap agreement, any resulting gain or loss would be deferred and recognized over the remaining life of the related debt.

FOREIGN CURRENCY FORWARD CONTRACTS

Rayonier's New Zealand operations generated approximately 8 percent of the Company's sales in 1999. A significant portion of the revenue from Rayonier's New Zealand operations is in U.S. dollars or significantly affected by the New Zealand dollar/U.S. dollar exchange rate. However, most of its cash operating costs are incurred in New Zealand dollars with New Zealand dollar expenses exceeding New Zealand dollar revenues. The Company believes that it has been able to mitigate most of the effect of exchange rate fluctuations of the New Zealand dollar through risk management activities involving foreign currency forward contracts, thereby normalizing the contribution of its New Zealand operations toward what it would have been without exchange rate movements. The Company plans to continue this program but will continue to limit its mark-to-market exposure so as not to have a material effect on EPS if exchange rates move rapidly.

The following summarizes the contribution to Rayonier's earnings from New Zealand operations after consideration of foreign exchange effects (millions of dollars):

	1999	1998	1997
Operating income (loss) on a 1997 exchange rate basis	$ (7)	$(18)	$ 8
Effect of exchange rate changes	--	4	--
Operating income (loss) as reported	(7)	(14)	8
Gain (loss) from foreign currency forward contracts	--	(1)	(3)
Contribution from New Zealand operations	$ (7)	$(15)	$ 5

Rayonier's forward contracts are intended to cover anticipated operating needs and therefore do not "hedge" firm contracts or commitments in accordance with SFAS No. 52, "Foreign Currency Translation." As a result, the gains and losses on these contracts are included in "Interest and miscellaneous income (expense), net" based on mark-to-market values at reporting dates. In 1999, the maximum foreign currency forward contracts outstanding at any point in time totaled $27.5 million. At December 31, 1999, the Company held foreign currency contracts maturing through February 2001, totaling $28 million.

COMMODITY FORWARDS

The Company periodically enters into commodity forwards to fix certain energy costs. This practice effectively eliminates the risk of a change in product margins resulting from an increase or decrease in fuel oil costs. The Company does not enter into commodity forwards for trading or speculative purposes. The net amounts paid or received under the agreements are recognized as an adjustment to fuel oil expense. There were no contracts outstanding at December 31, 1999.

FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 31, 1999 and 1998, the estimated fair values of Rayonier's financial instruments were as follows:

	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSET (LIABILITY)				
Cash and short-term investments	$ 12,265	$ 12,265	$ 6,635	$ 6,635
Debt	(1,136,178)	(1,127,039)	(489,944)	(499,252)
Foreign currency forward contracts	(6)	(6)	--	--
Interest rate swap agreements	--	17	--	121

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

Cash and Short-Term Investments - The carrying amount is equal to fair market value.

Debt - The Company's short-term bank loans and floating rate debt approximate fair value. The fair value of fixed rate long-term debt is based upon quoted market prices for these or similar issues, or rates currently available to the Company for debt with similar terms and maturities.

Foreign Currency Forward Contracts - The fair value of foreign currency forward contracts is based on dealer-quoted market prices of comparable instruments. The contracts are reported at mark-to-market values if not considered a hedge for accounting purposes.

Interest Rate Swap Agreements - The fair value of interest rate swap agreements is based upon the estimated cost to terminate the agreements, taking into account current interest rates and creditworthiness of the counterparties.

5. GAINS FROM SALE OF ASSETS

From time to time, Rayonier opportunistically sells non-strategic assets to monetize portions of its asset base. In October 1999, Rayonier sold a marine terminal and associated properties in Hoquiam, WA, to the Port of Grays Harbor for $9.5 million, with a gain of $7.7 million, as part of its program to divest non-strategic assets and reduce debt. In December 1997, the Company sold a 75 percent interest in approximately 6 percent of its timber holdings in New Zealand to a timber investment fund as part of a joint venture with the Company. Simultaneously, Rayonier acquired a 25 percent interest in two forests owned by the investment fund and received net cash proceeds of $11.7 million. Rayonier recorded a pretax gain of $8.4 million, $5.6 million after-tax, or 19 cents per share. Rayonier also has marketing and management responsibilities for the joint venture.

6. SMURFIT FORESTLANDS ACQUISITION

On October 25, 1999, Rayonier, through its subsidiary, Rayonier Timberlands Operating Company ("RTOC"), acquired approximately 968,000 owned and leased acres of forestland in Georgia, Florida and Alabama from Jefferson Smurfit Corporation (U.S.) ("JSC") in a business combination accounted for by the purchase method. In addition, RTOC and JSC entered into a Timber Cutting Agreement whereby RTOC has agreed to sell 1.4 million tons of timber to JSC at prevailing market prices for each of the years 2000 and 2001. The acquisition cost of $716.4 million, allocated to forestlands and land held for resale, was financed by $485 million in notes issued to JSC and $232 million in cash borrowed under a bank credit facility. JSC used these forestlands primarily to provide pulpwood fiber to its paperboard mills. RTOC plans to manage the forestlands and sell standing timber on an open-market basis.

The Statement of Consolidated Income for the year ended December 31, 1999, includes the results of operations for the acquired Smurfit forestlands from the date of acquisition, October 25, 1999, through December 31, 1999. The proforma results of operations of Rayonier for 1999 and 1998 are as follows, assuming the acquisition occurred on January 1, 1999 and 1998, respectively:

	1999	1998
	(Unaudited)	
Sales	$1,073,207	$1,064,286
Operating income	137,454	131,862
Net income	36,525	27,601
Diluted EPS	1.30	0.96

7. RAYONIER TIMBERLANDS, L.P.

In the United States, Rayonier manages almost all of its forestlands and sells timber directly through Rayonier Timberlands Operating Company, L.P. (RTOC), a limited partnership created in 1985. Until January 1998, Rayonier owned 74.7 percent of the Class A Limited Partnership Units of RTOC's parent, Rayonier Timberlands, L.P. (RTLP), and the remaining 25.3 percent, or 5.06 million Class A Units, were publicly traded on the New York Stock Exchange. In January 1998, Rayonier acquired the publicly held units of RTLP in accordance with the terms of the RTLP Partnership Agreement for a cash purchase price of $13.00 per unit. The acquisition was accounted for under the purchase method and was financed by the utilization of existing credit facilities.

8. INCOME TAXES

The provision for income taxes consists of the following:

	1999	1998	1997
CURRENT			
U.S. federal	$20,200	$ 5,534	$6,531
State and local	1,004	535	1,292
Foreign	1,372	1,687	1,709
	22,576	7,756	9,532
DEFERRED			
U.S. federal	10,582	28,815	24,652
State and local	902	682	540
Foreign	(4,593)	(10,734)	(1,396)
	6,891	18,763	23,796
	$29,467	$26,519	$33,328

Deferred income taxes represent the tax effects related to recording revenues and expenses in different periods for financial reporting and tax return purposes. Deferred tax assets (liabilities) at December 31, 1999 and 1998 were related to the following principal timing differences:

	1999	1998
Accelerated depreciation and depletion	$(154,649)	$(142,974)
Reserves for dispositions and discontinued operations	32,243	35,477
All other, net	8,091	651
	$(114,315)	$(106,846)

A reconciliation of the income tax provision at the U.S. statutory rate to the reported income tax provision follows:

	1999	1998	1997
Income tax provision at U.S. statutory rate	$ 34,342	$ 31,554	$ 42,226
State and local taxes, net of federal tax benefit	1,239	791	
			1,191
Foreign operations	(2,563)	(2,541)	(5,647)
Foreign sales corporations	(3,100)	(1,825)	(2,200)
Research and development tax credits	(588)	(1,508)	
			(1,675)
All other, net	137	48	(567)
Provision for income taxes - reported	$ 29,467	$ 26,519	$ 33,328

Effective tax rate - %	30.0	29.4	27.6

9. NET INCOME PER COMMON SHARE

In 1997, the Company adopted SFAS No. 128, "Earnings Per Share."

The following table provides details of the calculation of basic and diluted EPS for 1999, 1998 and 1997:

	1999	1998	1997
Net income	$ 68,653	$ 63,635	$ 87,319
Shares used for determining basic EPS	27,681,845	28,118,402	28,820,115
Dilutive effect of:			
Stock options	253,580	266,441	389,131
Contingent shares	240,000	223,708	221,250
Shares used for determining diluted EPS	28,175,425	28,608,551	29,430,496
Basic EPS	$ 2.48	$ 2.26	$ 3.03
Diluted EPS	$ 2.44	$ 2.22	$ 2.97

10. INVENTORIES

Rayonier's inventories included the following at December 31, 1999 and 1998:

	1999	1998
Finished goods	$ 52,984	$ 47,109
Work in process	12,478	15,762
Raw materials	17,947	13,212
Manufacturing and maintenance supplies	21,670	22,827
	$105,079	$ 98,910

11. DEBT

Rayonier's debt included the following at December 31, 1999 and 1998:

	1999	1998
Short-term bank loans at a weighted average rate of 7.32%	$ 92,828	$ 130,119
Commercial paper at discount rates of 6.90% to 7.50%	75,000	109,000
Medium-term notes due 2000-2001 at variable interest rates of 6.35% to 6.40%	36,000	36,000
Medium-term notes due 2001-2004 at fixed interest rates of 6.0% to 6.15%	55,000	20,000
7.5% notes due 2002	110,000	110,000
Pollution control and industrial revenue bonds due 2000-2015 at fixed interest rates of 5.6% to 8.0%	82,350	84,650
RTOC installment notes due 2007-2014 at fixed interest rates of 8.29% to 8.64%	485,000	--
RTOC term loan due 2004 at a weighted average interest rate of 7.77%	200,000	--
All other	--	175
Total debt	1,136,178	489,944
Less:		
Short-term bank loans	828	1,619
Current maturities	2,420	2,475
Long-term debt	$1,132,930	$ 485,850

Rayonier has revolving credit agreements with a group of banks that provide the Company with unsecured credit facilities totaling $300 million and expiring in 2002. The revolving credit facilities are used for direct borrowings and as credit support for a commercial paper program. As of December 31, 1999, the Company had $75 million of outstanding commercial paper and $215 million of available borrowings under its revolving credit facilities. In connection with the financing of the Smurfit forestland acquisition, RTOC entered into an agreement with a group of banks that provided RTOC with revolving credit facilities totaling $75 million and expiring in 2004. As of December 31, 1999, RTOC had $43 million of available borrowings under its revolving credit facilities. In addition, through currently effective shelf registration statements filed with the Securities and Exchange Commission, Rayonier may offer up to $150 million of new public debt securities.

Required repayments of debt are as follows:

2000	$ 3,248
2001	43,185
2002	197,310
2003	2,330
2004	334,465
2005-2015	555,640
	$1,136,178

Medium-term notes, commercial paper and short-term bank loans totaling $187 million are classified as long-term debt because the Company has the ability and intends to refinance such maturities through continued short-term borrowings, available committed credit facilities or long-term borrowings. The most restrictive long-term debt covenant in effect for Rayonier at December 31, 1999, provided that the ratio of total debt to EBITDA not exceed 5.5 to 1 at the end of 1999 and at the end of each calendar quarter of 2000. Under the same covenant, effective March 31, 2001 and at the end of subsequent calendar quarters, that ratio cannot exceed 4.0 to 1. As of December 31, 1999, the ratio was 4.7 to 1. The most restrictive long-term debt covenants in effect for RTOC at December 31, 1999, provided that the ratio of consolidated cash flow available for fixed charges to consolidated fixed charges not be less than 1.6 to 1, and that the ratio of consolidated total debt to consolidated cash flow available for fixed charges not exceed 4.5 to 1. As of December 31, 1999, the ratios were 2.2 to 1 and 4.2 to 1, respectively. In addition, $422 million of retained earnings was unrestricted as to the payment of dividends.

12. DISPOSITIONS AND DISCONTINUED OPERATIONS

Dispositions and discontinued operations include Rayonier's Port Angeles, WA, pulp mill, which was closed on February 28, 1997; its interest in the Grays Harbor, WA, pulp and paper complex, which was closed in 1992; its wholly owned subsidiary, Southern Wood Piedmont Company (SWP), which ceased operations in 1986; Rayonier's Eastern Research Division, which ceased operations in 1981; and other miscellaneous assets held for disposition.

In the fourth quarter of 1996, Rayonier recorded a disposition charge, primarily related to the closure of the Port Angeles, WA, pulp mill. Dismantling and demolition of the mill began in 1997 and was completed in 1999. Environmental remediation at the mill site will commence in 2000 with completion expected by 2005. During 1997, Port Angeles pulp product sales contributed $3 million to operating income.

In the fourth quarter of 1996, the Company also adopted Statement of Position 96-1 "Environmental Remediation Liabilities" issued by the American Institute of Certified Public Accountants. The statement specifically identified future, long-term monitoring and administration expenditures as remediation liabilities that need to be accrued on the balance sheet as an existing obligation. These monitoring costs are expected to continue on an annual basis, plus inflation, for approximately 25-30 years as mandated by state and federal regulations. The Company's annual cash flow was not impacted by adoption of the accounting pronouncement.

As of December 31, 1999 and 1998, Rayonier had $6.9 million and $11.5 million, respectively, of receivables, net of reserves, from insurance claims included in "Other assets." Such receivables represent the Company's claim for reimbursements in connection with property damage settlements relating to SWP's discontinued wood preserving operations.

Rayonier currently estimates that expenditures during 2000-2001 for environmental remediation and monitoring costs for all dispositions and discontinued operations will total approximately $28 million. Such costs will be charged against Rayonier's reserves for estimated environmental obligations (including monitoring and remediation costs) that the Company believes are sufficient for costs expected to be incurred over the next 25-30 years with respect to dispositions and discontinued operations. At December 31, 1999, these reserves totaled approximately $169 million. The amount of actual future environmental costs is dependent on the outcome of negotiations with federal and state agencies and may also be affected by new laws, regulations and administrative interpretations, and changes in environmental remediation technology. Based on information currently available, the Company does not believe that any future changes in estimates, if necessary, would materially affect its consolidated financial condition or results of operations.

Reductions in reserves for dispositions, primarily related to completed projects associated with the closure of the Grays Harbor facility, that were recognized in income amounted to $1 million in 1998 and 1997.

An analysis of activity in the reserves for dispositions and discontinued operations for the three years ended December 31, 1999 follows:

	1999	1998	1997
Balance, January 1	$ 181,365	$ 198,862	$ 223,978
Expenditures charged to reserves	(12,834)	(16,447)	(24,216)
Reductions recognized in income	--	(1,050)	(900)
Balance, December 31	$ 168,531	$ 181,365	$ 198,862

The expenditures charged to reserves in 1997 and 1998 mainly reflect costs incurred in connection with the closure of the Port Angeles, WA, pulp mill.

13. SHAREHOLDERS' EQUITY

An analysis of activity in shareholders' equity for the three years ended December 31, 1999 follows:

	Common Shares		Retained	Total Shareholders'
	Shares	Amount	Earnings	Equity
BALANCE, JANUARY 1, 1997	29,282,455	$ 145,679	$ 477,711	$ 623,390
Net income	--	--	87,319	87,319
Dividends paid	--	--	(34,523)	(34,523)
Incentive stock plans	124,679	4,892	--	4,892
Repurchase of Common Shares	(1,123,500)	(48,396)	--	(48,396)
BALANCE, DECEMBER 31, 1997	28,283,634	102,175	530,507	632,682
Net income	--	--	63,635	63,635
Dividends paid	--	--	(34,744)	(34,744)
Incentive stock plans	112,154	3,934	--	3,934
Repurchase of Common Shares	(628,479)	(26,548)	--	(26,548)
BALANCE, DECEMBER 31, 1998	27,767,309	79,561	559,398	638,959
Net income	--	--	68,653	68,653
Dividends paid	--	--	(35,669)	(35,669)
Incentive stock plans	191,652	4,748	--	4,748
Repurchase of Common Shares	(551,867)	(23,791)	--	(23,791)
BALANCE, DECEMBER 31, 1999	27,407,094	$ 60,518	$ 592,382	$ 652,900

14. INCENTIVE STOCK PLANS

The 1994 Rayonier Incentive Stock Plan (the 1994 Plan) provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, performance shares and restricted stock, subject to certain limitations. Under the 1994 Plan, the Company may grant options to its employees for up to 4.5 million Common Shares. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. Options vest in one-third increments over a three-year period starting from the date of grant.

Restricted stock granted under the 1994 Plan vests after three years. During 1999 and 1997, 5,000 and 2,000 restricted shares were granted with grant-date fair values per share of $45.56 and $38.13 for 1999 and 1997, respectively. No restricted shares were granted in 1998.

In 1999, 1998 and 1997, 55,500, 91,500 and 93,000 Common Shares, respectively, were reserved for contingent performance shares. The actual number of performance shares to be issued is contingent upon the Company's total shareholder return, compared with a competitive peer group of 12 companies within the forest products industry over a three-year period. The grant-date fair values of the 1999, 1998 and 1997 performance shares were $45.56, $42.63 and $38.13, respectively.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees" to account for its stock plans. The compensation cost recognized was $1,252, $2,837 and $3,904 in 1999, 1998 and 1997, respectively. Under SFAS No. 123, "Accounting for Stock Based Compensation," net income and earnings per share would have been reduced by $2,343 or 8 cents per share, $1,844 or 6 cents per share and $1,431 or 5 cents per share for 1999, 1998 and 1997, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 1999, 1998 and 1997, respectively: dividend yield of 3.4 percent, 3.1 percent and 3.0 percent; expected volatility of 25.7 percent for 1999, 24.1 percent for 1998 and 22.5 percent for 1997; risk-free interest rates of 4.7 percent, 5.8 percent and 6.3 percent; and an expected life of 7.5 years for all years. The weighted average fair value of options granted during the year was $10.91, $11.41 and $10.46 for 1999, 1998 and 1997, respectively.

A summary of the status of the Company's stock option plans as of December 31, 1999, 1998 and 1997, and changes during the years then ended is presented below:

	1999		1998		1997	
	Number of Shares	Weighted Average Exercisable Price	Number of Shares	Weighted Average Exercisable Price	Number of Shares	Weighted Average Exercisable Price
Options outstanding at beginning of year	1,843,496	$ 34.20	1,551,611	$ 32.05	1,268,288	$ 29.99
Granted - 1994 Incentive Stock Plan	255,500	$ 45.43	371,500	$ 42.64	370,500	$ 38.34
Exercised	(160,349)	$ 29.14	(66,618)	$ 30.12	(80,345)	$ 28.24
Canceled	(27,005)	$ 42.34	(12,997)	$ 39.87	(6,832)	$ 36.01
Outstanding at end of year	1,911,642	$ 36.01	1,843,496	$ 34.20	1,551,611	$ 32.05
Options exercisable at year-end	1,317,190	$ 32.85	1,130,690	$ 30.67	857,833	$ 29.23

The following table summarizes information about stock options outstanding at December 31, 1999:

	Options Outstanding			
Range of Exercise Prices	Number Outstanding at 12/31/99	Weighted Average Remaining Contractual Life	Options Exercisable at 12/31/99	Weighted Average Exercise Price
$16.57 - $17.38	41,967	1.8 years	41,967	$17.27
$28.88 - $33.50	935,845	4.9 years	935,845	$31.04
$37.13 - $50.75	933,830	7.9 years	339,378	$39.77

15. EMPLOYEE BENEFIT PLANS

Rayonier adopted SFAS No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits" in 1998, which changed the format and required disclosures concerning benefit plans.

Employee benefit plan liabilities are estimated using actuarial estimates and management assumptions. These estimates are based on historical information, along with certain assumptions about future events. Changes in assumptions, as well as changes in actual experience, could cause these estimates to change.

Rayonier has pension plans covering substantially all of its employees. Certain plans are subject to union negotiation. All costs of the plans are paid by Rayonier. The following tables set forth net periodic benefit cost of Rayonier plans, and total pension and postretirement benefit expense for the three years ended December 31:

	Pension			Postretirement		
	1999	1998	1997	1999	1998	1997
Components of Net Periodic Benefit Cost						
Service cost	$ 5,312	$ 5,255	$ 4,871	$ 438	$ 400	$ 407
Interest cost	8,147	7,803	7,461	1,341	1,328	1,305
Actual return on plan assets	(7,211)	(17,807)	(21,788)	--	--	--
Amortization of prior service cost and deferrals	(2,631)	8,862	13,373	(434)	(434)	(434)
Amortization of (gains) losses	142	384	207	618	634	572
Net periodic benefit cost of Rayonier plans	3,759	4,497	4,124	1,963	1,928	1,850
Defined contribution plans	2,222	2,056	2,437	--	--	--
Multi-employer plans	--	--	--	525	550	592
Total pension/postretirement benefit expense	$ 5,981	$ 6,553	$ 6,561	$ 2,488	$ 2,478	$ 2,442

The following tables set forth the funded status of the Rayonier pension and postretirement benefit plans, the amounts recognized in the balance sheets of the Company at December 31, 1999 and 1998, and the principal weighted-average assumptions inherent in their determination:

	Pension		Postretirement	
	1999	1998	1999	1998
Change in Benefit Obligation				
Benefit obligation at beginning of year	$ 123,770	$ 113,407	$ 20,546	$ 20,405
Service cost	5,312	5,255	438	400
Interest cost	8,147	7,803	1,341	1,328
Actuarial (gain) loss	(14,208)	4,925	(1,581)	(199)
Benefits paid	(7,360)	(7,620)	(1,374)	(1,388)
Benefit obligation at end of year	115,661	123,770	19,370	20,546
Change in Plan Assets				
Fair value of plan assets at beginning of year	130,170	119,862	--	--
Actual return on plan assets	7,211	17,698	--	--
Employer contribution	162	748	1,374	1,388
Other expense	(437)	(518)	--	--
Benefits paid	(7,360)	(7,620)	(1,374)	(1,388)
Fair value of plan assets at end of year	129,746	130,170	--	--
Reconciliation of Funded Status at End of Year				
Funded status	14,085	6,400	(19,370)	(20,546)
Unrecognized prior service cost	9,493	10,582	(3,083)	(3,517)
Unrecognized actuarial net (gain) loss	(25,770)	(14,837)	7,392	9,591
Unrecognized net transition obligation	(2,183)	(2,844)	--	--
(Accrued) prepaid benefit cost	$ (4,375)	$ (699)	$ (15,061)	$ (14,472)
Weighted Average Assumptions as of December 31				
Return on plan assets	9.75%	9.75%	--	--
Rate of compensation increase	5.00%	5.00%	--	--
Ultimate health care trend rate	--	--	5.50%	5.00%
Discount rate	7.75%	6.75%	7.75%	6.75%

The assumed rate of future increases in the per capita cost of health care (the health care trend rate) was 6 percent for 1999, decreasing ratably to 5.5 percent in the year 2001. The following table shows the effect of a one percentage point change in assumed health care cost trends on:

	1 Percent Increase	1 Percent Decrease
Year end benefit obligation	$ 744	$(710)
Total of service and interest cost components	$ 63	$ (60)

16. COMMITMENTS

The Company leases certain buildings, machinery and equipment under various operating leases. As of December 31, 1999, minimum rental commitments under operating leases were $5,878, $10,378, $1,877, $1,487 and $1,373 for 2000, 2001, 2002, 2003 and 2004, respectively. For the remaining years, such commitments amount to $3,274, aggregating total minimum lease payments of $24,267. Total rental expense for operating leases amounted to $7,173, $7,383 and $7,545, in 1999, 1998 and 1997, respectively. Additionally, the Company has indirectly guaranteed approximately $18.1 million of debt that is secured by equipment used by its vendors to provide products to the Company.

The Company has long-term leases on certain forestlands for use in its forestland business in the Southeast U.S. These leases typically have initial terms of approximately 30 to 65 years, with renewal provisions in some cases. Such leases are generally non-cancelable and require minimum annual rental payments. As of December 31, 1999, the future minimum lease payments were $4,472, $4,472, $4,353, $4,284 and $4,086 for 2000, 2001, 2002, 2003 and 2004, respectively. For the remaining years, such commitments amount to $79,719 aggregating total minimum lease payments of $101,386 with an average remaining term of 17 years.

17. CONTINGENCIES

From time to time, Rayonier may become liable with respect to pending and threatened litigation and environmental and other matters.

LEGAL PROCEEDINGS

Rayonier has been designated a potentially responsible party (PRP), or has had other claims made against it, under the U. S. Comprehensive Environmental Response, Compensation and Liability Act and/or comparable state statutes at seven sites, all of which relate to operations classified under "Dispositions and Discontinued Operations." Cost recovery actions against Rayonier and other PRPs are pending with respect to three of these sites. Rayonier has entered into or is in the process of negotiating consent orders for environmental remediation at five of these sites. Rayonier believes that an appropriate provision for remediation costs is included in its reserves for estimated environmental obligations, including the reserves for dispositions and discontinued operations. See Note 12. In addition, there are various lawsuits pending against or affecting Rayonier and its Subsidiaries, some of which involve claims for substantial sums, but whose outcomes are not expected to materially impact the Company's consolidated financial position or results of operations.

ENVIRONMENTAL MATTERS

Rayonier is subject to stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal that, in the opinion of management, will require substantial expenditures over the next 10 years. During 1997, the EPA finalized its Cluster Rules governing air emissions but, due to the specialty nature of Rayonier's products and operations, postponed finalizing water discharge rules and certain air emissions rules governing the Company's pulp mills. The Company continues to work with the EPA to establish such rules for the pulp mills, but the timing and costs associated with such rulemaking are uncertain. In the opinion of management, future capital costs associated with existing environmental rules will not have a material impact on the Company's consolidated financial position or results of operations.

Federal, state and local laws and regulations intended to protect threatened and endangered species as well as wetlands and waterways limit and may prevent timber harvesting, road building and other activities on the Company's forestlands. Over the past several years, the harvest of timber on private lands in the state of Washington has been restricted as a result of the listing of several species of birds and fish under the Endangered Species Act. The Company, through industry groups, has worked with the state of Washington to implement workable protective measures with respect to several endangered species. The effect has been to restrict harvesting on portions of the Company's Washington forestlands. The Company has taken account of these restrictions in its harvest plans. Such efforts are ongoing and, in the opinion of management, will not have a material impact on the Company's consolidated financial position or results of operations.

18. QUARTERLY RESULTS FOR 1999 AND 1998 (UNAUDITED)
(thousands of dollars, except per share amounts)

	Quarter Ended				
	March 31	June 30	Sept. 30	Dec. 31	Total Year
1999					
Sales	$ 226,396	$ 258,023	$ 255,453	$ 295,999	$1,035,871
Operating income	29,444	33,751	32,113	40,422	135,730
Net income	15,130	17,077	17,134	19,312	68,653
Basic EPS	.54	.62	.62	.70	2.48
Diluted EPS	.54	.60	.61	.69	2.44
1998					
Sales	$ 225,414	$ 254,011	$ 258,740	$ 270,401	$1,008,566
Operating income	34,157	35,172	25,368	29,426	124,123
Net income	18,196	18,440	12,841	14,158	63,635
Basic EPS	.64	.65	.46	.51	2.26
Diluted EPS	.63	.64	.45	.50	2.22

SIGNATURES

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.

By GEORGE C. KAY

George C. Kay
Vice President and Corporate Controller

March 17, 2000

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

SIGNATURE	TITLE	DATE
* W. L. Nutter (Principal Executive Officer)	Chairman of the Board, President, Chief Executive Officer and Director	
GERALD J. POLLACK Gerald J. Pollack (Principal Financial Officer)	Senior Vice President and Chief Financial Officer	March 17, 2000
GEORGE C. KAY George C. Kay (Principal Accounting Officer)	Vice President and Corporate Controller	March 17, 2000
* Rand V. Araskog	Director	
* Ronald M. Gross	Director	
* Paul G. Kirk, Jr.	Director	
* Katherine D. Ortega	Director	
* Burnell R. Roberts	Director	
* Carl S. Sloane	Director	
* Nicholas L. Trivisonno	Director	
* Gordon I. Ulmer	Director	
*By GERALD J. POLLACK Attorney-In-Fact		March 17, 2000

EXHIBIT INDEX

Exhibit No.	Description	Location
2.1	Purchase and Sale Agreement dated July 28, 1999 between Rayonier Inc. and Jefferson Smurfit Corporation (U.S.)	Incorporated by reference to Exhibit 2.1 to the Registrant's November 12, 1999 Form 8-K/A, Amendment No. 1
2.2	First Amendment to the Purchase and Sale Agreement dated October 25, 1999 between Rayonier Inc. and Jefferson Smurfit Corporation (U.S.)	Incorporated by reference to Exhibit 2.2 to the Registrant's November 12, 1999 Form 8-K/A, Amendment No. 1
2.3	Assignment and Assumption Agreement dated October 25, 1999 between Jefferson Smurfit Corporation (U.S.) and Timber Capital Holdings LLC	Incorporated by reference to Exhibit 2.3 to the Registrant's November 12, 1999 Form 8-K/A, Amendment No. 1
2.4	Assignment Agreement dated October 25, 1999 between Rayonier Inc. and Rayonier Timberlands Operating Company, L.P.	Incorporated by reference to Exhibit 2.4 to the Registrant's November 12, 1999 Form 8-K/A, Amendment No. 1
2.5	Timber Cutting Agreement dated October 25, 1999 between Rayonier Inc. and Jefferson Smurfit Corporation (U.S.)	Incorporated by reference to Exhibit 2.5 to the Registrant's November 12, 1999 Form 8-K/A, Amendment No. 1
3.1	Amended and Restated Articles of Incorporation	Incorporated by reference to Exhibit 4(a) to the Registrant's Registration Statement on Form S-8 (Registration No. 33-52437)
3.2	By-Laws	Incorporated by reference to Exhibit 3.2 to the Registrant's December 31, 1995 Form 10-K
4.1	Indenture dated as of September 1, 1992 between the Company and Bankers Trust Company, as Trustee, with respect to certain debt securities of the Company	Incorporated by reference to Exhibit 4.1 to the Registrant's December 31, 1993 Form 10-K
4.2	First Supplemental Indenture dated as of December 13, 1993	Incorporated by reference to Exhibit 4.2 to the Registrant's December 31, 1993 Form 10-K
4.3	$100 million 364-day Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.1 to the Registrant's March 31, 1995 Form 10-Q
4.4	$200 million Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.2 to the Registrant's March 31, 1995 Form 10-Q

EXHIBIT INDEX

Exhibit No.	Description	Location
4.5	Amendment No.1, dated as of June 16, 1995 to the $100 million 364-day Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.1 to the Registrant's June 30, 1996 Form 10-Q
4.6	Amendment No. 2, dated as of April 12, 1996 to the $100 million 364-day Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.2 to the Registrant's June 30, 1996 Form 10-Q
4.7	Amendment No. 1, dated as of June 16, 1995 to the $200 million Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.3 to the Registrant's June 30, 1996 Form 10-Q
4.8	Amendment No. 2, dated as of April 12, 1996 to the $200 million Revolving Credit Agreement dated as of April 14, 1995 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.4 to the Registrant's June 30, 1996 Form 10-Q
4.9	Amended and Restated Revolving Credit Agreement dated as of April 11, 1997, for the $200 million Revolving Credit Agreement dated as of April 14, 1995 as amended as of June 16, 1995 and as of April 12, 1996 among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers	Incorporated by reference to Exhibit 4.1 to the Registrant's March 31, 1997 Form 10-Q
4.10	Amendment No. 1 and Waiver dated as of October 1, 1999 to the Amended and Restated Revolving Credit Agreement dated as of April 11, 1997 for the $200 million Revolving Credit Agreement among Rayonier Inc. as Borrower and the banks named therein as Banks, Citibank, N.A. as Administrative Agent and Citicorp Securities, Inc. and the Toronto-Dominion Bank as Arrangers.	Filed herewith

EXHIBIT INDEX

Exhibit No.	Description	Location
4.11	Credit Agreement dated as of October 25, 1999 between Rayonier Timberlands Operating Company, L.P. and Credit Suisse First Boston, Morgan Stanley Senior Funding, Inc. and Citibank, N.A.	Incorporated by reference to Exhibit 4.1 to the Registrant's September 30, 1999 Form 10-Q
4.12	Note Purchase Agreement dated as of October 25, 1999 between Rayonier Timberlands Operating Company, L.P. and Timber Capital Holdings LLC.	Incorporated by reference to Exhibit 4.2 to the Registrant's September 30, 1999 Form 10-Q
4.13	Other 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 other instrument defining the rights of holders of the Registrant's long-term debt upon request of the Commission
9	Voting trust agreement	None
10.1	Rayonier 1994 Incentive Stock Plan, as amended	Incorporated by reference to Exhibit 10.1 to the Registrant's September 30, 1998 Form 10-Q.
10.2	Rayonier Supplemental Senior Executive Severance Pay Plan	Incorporated by reference to Exhibit 10.2 to the Registrant's December 31, 1997 Form 10-K.
10.3	Rayonier Investment and Savings Plan for Salaried Employees	Incorporated by reference to Exhibit 10.3 to the Registrant's December 31, 1997 Form 10-K.
10.4	Rayonier Salaried Employees Retirement Plan	Incorporated by reference to Exhibit 10.4 to the Registrant's December 31, 1997 Form 10-K.
10.5	Form of Indemnification Agreement between Rayonier Inc. and its Directors and Officers	Incorporated by reference to Exhibit 10.9 to the Registrant's December 31, 1993 Form 10-K
10.6	Rayonier Inc. Excess Benefit Plan	Incorporated by reference to Exhibit 10.10 to the Registrant's December 31, 1993 Form 10-K
10.7	Amendment to Rayonier Inc. Excess Benefit Plan dated August 18, 1997	Incorporated by reference to Exhibit 10.7 to the Registrant's December 31, 1997 Form 10-K
10.8	Rayonier Inc. Excess Savings and Deferred Compensation Plan	Incorporated by reference to Exhibit 10.8 to the Registrant's December 31, 1997 Form 10-K
10.9	Form of Rayonier Inc. Excess Savings and Deferred Compensation Plan Agreements	Incorporated by reference to Exhibit 10.13 to the Registrant's December 31, 1995 Form 10-K

EXHIBIT INDEX

Exhibit No.	Description	Location
10.10	Form of Indemnification Agreement between Registrant and directors of Rayonier Forest Resources Company, its wholly owned subsidiary which is Managing General Partner of Rayonier Timberlands, L.P., who are not also directors of Registrant	Incorporated by reference to Exhibit 10.1 to the Registrant's March 31, 1994 Form 10-Q
10.11	Description of Rayonier 1994 Incentive Stock Plan Contingent Performance Share Awards	Incorporated by reference to Exhibit 10.1 to the Registrant's June 30, 1994 Form 10-Q
10.12	Form of Rayonier 1994 Incentive Stock Plan Contingent Performance Share Award Agreement	Incorporated by reference to Exhibit 10.1 to the Registrant's June 30, 1994 Form 10-Q
10.13	Form of Rayonier 1994 Incentive Stock Plan Restricted Share Award Agreement	Incorporated by reference to Exhibit 10.17 to the Registrant's December 31, 1995 Form 10-K
10.14	Form of Rayonier 1994 Incentive Stock Non-qualified Stock Option Award Agreement	Incorporated by reference to Exhibit 10.18 to the Registrant's December 31, 1995 Form 10-K
10.15	Rayonier Substitute Stock Option Plan	Incorporated by reference to Exhibit 4(c) to the Registrant's Registration Statement on Form S-8 (File No. 33-52891)
10.16	Form of Rayonier Substitute Stock Option Award Agreements	Incorporated by reference to Exhibit 10.20 to the Registrant's December 31, 1995 Form 10-K
10.17	Split-Dollar Life Insurance Agreement dated June 22, 1994 between Rayonier Inc. and Ronald M. Gross	Incorporated by reference to Exhibit 10.2 to the Registrant's June 30, 1994 Form 10-Q
10.18	Amendment to Split-Dollar Life Insurance Agreement, dated July 22, 1997	Incorporated by reference to Exhibit 10.18 to the Registrant's December 31, 1997 Form 10-K
10.19	Deferred Compensation/ Supplemental Retirement Agreement dated June 28, 1994 between Rayonier Inc. and Ronald M. Gross	Incorporated by reference to Exhibit 10.3 to the Registrant's June 30, 1994 Form 10-Q
10.20	Amendment to Deferred Compensation/Supplemental Retirement Agreement, dated July 22, 1997	Incorporated by reference to Exhibit 10.20 to the Registrant's December 31, 1997 Form 10-K
10.21	Consulting Agreement dated October 19, 1998 between Rayonier Inc. and Ronald M. Gross	Incorporated by reference to Exhibit 10.21 to the Registrant's December 31, 1998 Form 10-K
10.22	Form of Rayonier Outside Directors Compensation Program/Cash Deferral Option Agreement	Filed herewith
10.23	Other material contracts	None

EXHIBIT INDEX

Exhibit No.	Description	Location
11	Statement re computation of per share earnings	Not required to be filed
12	Statements re computation of ratios	Filed herewith
13	Annual report to security holders, Form 10-Q or quarterly report to security holders	Not applicable
16	Letter re change in certifying accountant	Not applicable
18	Letter re change in accounting principles	Not applicable
21	Subsidiaries of the Registrant	Incorporated by reference to Exhibit 21 to the Registrant's December 31, 1993 Form 10-K
22	Published report regarding matters submitted to vote of security holders	None
23	Consents of experts and counsel	Filed herewith
24	Powers of attorney	Filed herewith
27	Financial data schedule	Filed herewith
28	Information from reports furnished to state insurance regulatory authorities	Not applicable
99	Additional exhibits	None

Exhibit 4.10

AMENDMENT NO. 1 AND WAIVER TO THE
AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

Dated as of October 1, 1999

AMENDMENT NO. 1 AND WAIVER TO THE AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT among Rayonier Inc., a North Carolina corporation (the "Borrower"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "Lenders") and Citibank, N.A., as administrative agent (the "Administrative Agent") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Borrower, the Lenders and the Administrative Agent have entered into an Amended and Restated Revolving Credit Agreement dated as of April 11, 1997 (the "Credit Agreement"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement.

(2) Rayonier Timberlands Operating Company, L.P. ("RTOC"), a partnership wholly owned by the Borrower and its Subsidiaries, has agreed to purchase approximately 980,000 acres of timberlands in Georgia, Florida and Alabama from Smurfit-Stone Container Corporation ("SSCC") for $725,000,000. Such acquisition is expected to be financed in part by notes payable to SSCC. The Borrower has proposed that a 35% general partnership interest in RTOC be sold to a newly formed corporation which will qualify as a real estate investment trust (the "REIT"). It is anticipated that the REIT will sell a class of stock to the public for $400,000,000 to $450,000,000 and that the proceeds of such sale will be transferred to the Borrower.

(3) The Required Lenders are, on the terms and conditions stated below, willing to grant the request of the Borrower and the Borrower and the Required Lenders have agreed to amend the Credit Agreement as hereinafter set forth.

SECTION 1. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 3, hereby amended as follows:

(a) Section 5.02(d) is amended to add a new clause (vi) to read as follows:

> (vi) unsecured Debt in an aggregate amount not to exceed $800,000,000 at any one time outstanding incurred by Rayonier Timberlands Operating Company, L.P. (A) in connection with its purchase of approximately 980,000 acres of timberlands in Georgia, Florida and Alabama from Smurfit-Stone Container Corporation and (B) otherwise in the ordinary course of business.

(b) Section 5.03 is amended in full to read as follows:

Leverage Ratio. Cause, on the last day of each Fiscal Quarter of the Borrower, the ratio of (i) Consolidated Debt of the Borrower and its Subsidiaries on such date of determination to (ii) Consolidated EBITDA of the Borrower and its Subsidiaries for the four Fiscal Quarters ended on such date not to exceed (A) 5.5 to 1 for each Fiscal Quarter ended after September 30, 1999 and on or before December 31, 2000 (B) 4.0 to 1 for each Fiscal Quarter ended after December 31, 2000.

(c) Section 6.01(h) is amended to add new clause (iv) to read as follows:

(iv) the Borrower or an Affiliate of the Borrower shall cease to be the managing partner of Rayonier Timberlands Operating Company, L.P. ("RTOC") or the Borrower ceases to consolidate RTOC in its consolidated financial statements; or

SECTION 2. Waiver. The Required Lenders hereby consent to the proposed sale of a 35% general partnership interest in RTOC to the REIT and agree that Section 5.02(c) of the Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 3, waived to the extent required to permit such proposed sale and the public offering of a class of stock of the REIT.

SECTION 3. Conditions of Effectiveness. This Amendment shall become effective as of the date first above written when, and only when, the Administrative Agent shall have received counterparts of this Amendment executed by the Borrower and the Required Lenders or, as to any of the Lenders, advice satisfactory to the Administrative Agent that such Lender has executed this Amendment. The effectiveness of this Amendment is conditioned upon the accuracy of the factual matters described herein. This Amendment is subject to the provisions of Section 8.01 of the Credit Agreement.

SECTION 4. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction indicated in the recital of parties to this Amendment.

(b) The execution, delivery and performance by the Borrower of this Amendment and the performance by the Borrower of the Credit Agreement, as amended hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action and do not contravene (i) the Borrower's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Borrower.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery or performance by the Borrower of this Amendment, or the performance by the Borrower of the Credit Agreement, as amended hereby, or the Notes.

(d) This Amendment has been duly executed and delivered by the Borrower. This Amendment and the Credit Agreement, as amended hereby, and the Notes are legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms.

(e) No event has occurred and is continuing that constitutes a Default.

SECTION 5. Reference to and Effect on the Credit Agreement and the Notes. (a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement and the Notes, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

SECTION 6. Costs and Expenses. The Borrower agrees to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Administrative Agent) in accordance with the terms of Section 8.04 of the Credit Agreement.

SECTION 7. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 8. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

RAYONIER INC.

By Macdonald Auguste

Title: Treasurer

Agreed as of the date first above written:

CITIBANK, N.A. as Administrative Agent and as Lender

By Wolfgang Viragh

Title: Vice President

THE TORONTO-DOMINION BANK

By Jimmy Simien

Title: Manager, CR. Admin.

BANK OF AMERICA, N.A.

By Michael Short

Title: Managing Director

THE BANK OF NEW YORK

By Kenneth P. Sneider, Jr.

Title: Vice President

THE CHASE MANHATTAN BANK

By Peter S. Predun

Title: Vice President

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By R. David Stone

Title: Associate

THE SUMITOMO BANK, LIMITED
NEW YORK BRANCH

By Edward D. Henderson, Jr.

Title: Senior Vice President

SUNTRUST BANK, ATLANTA

By May M. Smith

Title: Assistant Vice President

CREDIT SUISSE FIRST BOSTON

By James P. Moran Thomas G. Muoio

Title: Director Vice President

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

By Peter N. Gray

Title: Vice President

FLEET NATIONAL BANK

By

UNITED STATES NATIONAL BANK
OF OREGON

By

EXHIBIT 10.22

RAYONIER OUTSIDE DIRECTORS COMPENSATION PROGRAM
[1999] CASH DEFERRAL OPTION AGREEMENT

This Agreement is made by and between Rayonier Inc. (hereinafter the "Company") and the undersigned individual Non-Employee Director of the Company (hereinafter the "Director").

WHEREAS, the Director is and will be serving as a Director of the Company; and

WHEREAS, the Company desires to assist the Director in providing for the Director's retirement;

NOW THEREFORE, in consideration of the premises and the mutual promises herein, the parties hereto agree as follows:

1. DEFERRAL ELECTION. The undersigned Director hereby irrevocably elects to defer the Deferred Portion of cash ANNUAL RETAINER AND/OR MEETING FEES that the Director would have received as a Director of the Company for services rendered for calendar year [1999], and such deferred portion of cash Annual Retainer and/or Meeting Fees shall not be paid to the Director, where otherwise payable, but rather shall be set aside in an account (the "Account"), which shall remain the sole property of the Company. For purposes of this Agreement, the Account shall be credited with interest thereon at a rate equal to the Prime Rate as reported in the Wall Street Journal, adjusted and compounded annually as of each December 31 during the term of this Agreement.

   The Deferred Portion shall be the following percentage or specific dollar amount for calendar year [1999] Annual Retainer and/or Meeting Fees otherwise payable in [1999]:

ANNUAL RETAINER		MEETING FEES
________% or $	and/or	________% or $ ______
(choose one)		(choose one)

2. PAYMENT TERMS. The amount in the Account shall be paid to the Director in a single lump sum on the date the Director attains age 72 or later upon the conclusion of the Director's then current term as a Director provided, however, that the Board of Directors may, in its sole discretion, instead authorize payment of the entire amount in the Account to the Director upon his earlier termination as a Director of the Company in full satisfaction of its obligations under this Agreement.

3. BENEFICIARY DESIGNATION. In the event the Director dies prior to payment of the Account, the amount in the Account shall be paid in a single lump sum to the beneficiary designated by the Director on the Beneficiary Designation (on the reverse side hereof). If no beneficiary is designated or no designated beneficiary survives the Director, the beneficiary will be the Director's estate. The Director may change beneficiary(ies) at any time by written notice to the Company, attention Senior Vice President, Administration.

4. MISCELLANEOUS. This Agreement shall not impose any obligation on the Company to continue the Director as a Director, nor shall it impose an obligation on the Director to continue to serve as a Director. This Agreement shall be construed in all respects under the laws of the State of Connecticut.

IN WITNESS WHEREOF, the parties here have caused this Agreement to be duly executed effective as of December 31, [1998], for calendar year [1999].

RAYONIER INC.		DIRECTOR	
________________________	_________	________________	______
John P. O'Grady SVP - Administration	Date		Date

RAYONIER OUTSIDE DIRECTORS COMPENSATION PROGRAM
BENEFICIARY DESIGNATION

I hereby designate the following beneficiary(ies) to be paid my entire Account in the event of my death.

SECTION A. PRIMARY BENEFICIARY(IES) Check box(es) and complete percentage. If you have checked Box 3, complete the additional information requested.

1. / / ____% To my SPOUSE AT TIME OF DEATH or, if none, the Alternate Beneficiary(ies) designated in Section B.

2. / / ____% To my CHILDREN who survive me, in equal shares, or all to the one who survives me provided that, if any such child predeceases me leaving any descendants who survive me, such descendants shall receive, per stirpes, the share such deceased child would have received if surviving.

3. / / ____% To my OTHER PRIMARY BENEFICIARY(IES) who survive me* in the indicated percentages:

NAME	SOCIAL SECURITY NO.	PERCENTAGE
___________________________	_________________	_____________%
___________________________	_________________	_____________%
___________________________	_________________	_____________%
___________________________	_________________	_____________%
___________________________	_________________	_____________%
		TOTAL __100__%

4. / / ____% To my ESTATE

TOTAL 100 %

SECTION B. ALTERNATE BENEFICIARY(IES) Check one box. IF NO BOX IS CHECKED, THE ALTERNATE BENEFICIARY IS YOUR ESTATE. Any balance in my Account not distributed to the above shall be distributed as follows:

/ / To my CHILDREN who survive me, in equal shares, as provided in No. 2 above

/ / To the following ALTERNATE BENEFICIARY(IES) who survive me* in the indicated percentages:

NAME	SOCIAL SECURITY NO.	PERCENTAGE
___________________________	_________________	_____________%
___________________________	_________________	_____________%
___________________________	_________________	_____________%
___________________________	_________________	_____________%
___________________________	_________________	_____________%
		TOTAL __100__%

*If a beneficiary does not survive me, the amount which would have been distributed to that beneficiary shall be distributed to the other named beneficiary(ies) who survive me, in the proportion that the percentage indicated as passing to each such surviving beneficiary bears to the percentage indicated as passing to all the surviving beneficiaries. Payment to a minor beneficiary shall be to the legally appointed guardian of his/her estate, unless otherwise permitted by law.

____ ______________________________
Date

EXHIBIT 12

RAYONIER INC. AND SUBSIDIARIES
RATIO OF EARNINGS TO FIXED CHARGES
(Unaudited, thousands of dollars)

	Year Ended December 31				
	1999	1998	1997	1996	1995
Earnings:					
Income (loss) from continuing operations	$ 68,653	$ 63,635	$ 87,319	$ (160)	$ 142,348
Add (deduct):					
Income tax	29,467	26,519	33,328	(13,297)	65,711
Minority interest	-	-	25,520	27,474	29,897
Amortization of capitalized interest	2,308	2,331	2,067	4,505	1,963
	100,428	92,485	148,234	18,522	239,919
Adjustments to earnings for fixed charges:					
Interest and other financial charges	42,193	34,712	25,868	27,662	33,615
Interest factor attributable to rentals	1,367	1,750	1,974	2,187	1,444
	43,560	36,462	27,842	29,849	35,059
Earnings as adjusted	$ 143,988	$ 128,947	$ 176,076	$ 48,371	$ 274,978
Fixed charges:					
Fixed charges above	$ 43,560	$ 36,462	$ 27,842	$ 29,849	$ 35,059
Capitalized interest	314	262	5,005	2,664	1,346
Total fixed charges	$ 43,874	$ 36,724	$ 32,847	$ 32,513	$ 36,405
Ratio of earnings as adjusted to total fixed charges	3.28	3.51	5.36	1.49	7.55
Effective tax rate	30%	29%	28%	(42)%	32%

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Rayonier Inc.:

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statement on Form S-3 (File No. 333-52857).

ARTHUR ANDERSEN LLP

Stamford, Connecticut
March 23, 2000

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints GERALD J. POLLACK, LISA M. PALUMBO and JOHN B. CANNING his or her true and lawful attorneys-in-fact, with full power in each to act without the other and with full power of substitution and resubstitution to sign in the name of such person and in each of his or her offices and capacities in Rayonier Inc. (the "Company") the Annual Report on Form 10-K for the fiscal year ended December 31, 1999 of the Company, and to file the same, and any amendments thereto, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission.

Dated: March 17, 2000

/s/ W.LEE NUTTER
W. Lee Nutter
Chairman of the Board, President,
Chief Executive Officer and Director

/s/ RAND V. ARASKOG
Rand V. Araskog
Director

/s/ RONALD M. GROSS
Ronald M. Gross
Director

/s/ PAUL G. KIRK, JR
Paul G. Kirk, Jr.
Director

/s/ KATHERINE D. ORTEGA
Katherine D. Ortega
Director

/s/ BURNELL R. ROBERTS
Burnell R. Roberts
Director

/s/ CARL S. SLOANE
Carl S. Sloane
Director

/s/ NICHOLAS L. TRIVISONNO
Nicholas L. Trivisonno
Director

/s/ GORDON I. ULMER
Gordon I. Ulmer
Director

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12-MOS
DEC-31-1999
JAN-01-1999
DEC-31-1999
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