

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1995

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-6780

RAYONIER INC.

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

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

Telephone Number: (203) 348-7000

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

YES NO

As of August 1, 1995, there were 29,629,779 Common Shares of the Registrant
outstanding.

RAYONIER INC.
TABLE OF CONTENTS

		PAGE

PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Statements of Consolidated Income for the Three Months and Six Months Ended June 30, 1995 and 1994	1
	Consolidated Balance Sheets as of June 30, 1995 and December 31, 1994	2
	Statements of Consolidated Cash Flows for the Six Months Ended June 30, 1995 and 1994	3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	4-6
Item 3.	Selected Operating Data	7
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	8
Item 4.	Submission of Matters to a Vote of Security Holders	8
Item 6.	Exhibits and Reports on Form 8-K	8
	Signature	8
	Exhibit Index	9

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following unaudited financial statements reflect, in the opinion of Rayonier Inc. (Rayonier or the Company), all adjustments (which include only normal recurring adjustments) necessary for a fair presentation of the results of operations, the financial position, and the cash flows for the periods presented. For a full description of accounting policies, see Notes to Consolidated Financial Statements in the 1994 Annual Report on Form 10-K.

RAYONIER INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
(UNAUDITED)
(THOUSANDS OF DOLLARS, EXCEPT PER SHARE INFORMATION)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1995	1994	1995	1994
SALES	\$ 313,564	\$ 250,770	\$ 599,396	\$ 508,497
COSTS AND EXPENSES				
Cost of sales	252,213	210,222	476,257	409,354
Selling and general expenses	9,426	7,545	17,813	14,253
Other operating income, net	(1,766)	(2,228)	(3,209)	(1,513)
	259,873	215,539	490,861	422,094
OPERATING INCOME	53,691	35,231	108,535	86,403
Interest expense	(8,773)	(7,845)	(17,308)	(14,591)
Interest and miscellaneous income, net	999	751	1,667	1,284
Minority interest	(7,272)	(6,295)	(16,572)	(17,371)
INCOME BEFORE INCOME TAXES	38,645	21,842	76,322	55,725
Income taxes	(12,307)	(7,728)	(24,835)	(19,892)
NET INCOME	\$ 26,338	\$ 14,114	\$ 51,487	\$ 35,833
NET INCOME PER COMMON SHARE	\$ 0.88	\$ 0.48	\$ 1.72	\$ 1.21
Weighted average Common Shares outstanding	29,955,149	29,670,364	29,895,951	29,652,744

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

ASSETS

	JUNE 30, 1995	DECEMBER 31, 1994
	-----	-----
CURRENT ASSETS		
Cash	\$ 5,354	\$ 9,178
Accounts receivable, less allowance for doubtful accounts of \$4,341 and \$4,358	128,998	103,892
Inventories		
Finished goods	60,654	39,929
Work in process	24,804	18,221
Raw materials	54,398	34,022
Manufacturing and maintenance supplies	29,719	27,567
	-----	-----
	169,575	119,739
Deferred income taxes	4,486	4,382
Prepaid timber stumpage	47,070	47,338
Other current assets	15,596	12,692
	-----	-----
Total current assets	371,079	297,221
OTHER ASSETS	28,416	29,439
TIMBER STUMPAGE	38,866	36,756
TIMBER, TIMBERLANDS AND LOGGING ROADS, NET OF DEPLETION AND AMORTIZATION	481,434	476,132
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings, machinery and equipment	1,250,274	1,202,484
Less -- accumulated depreciation	562,855	530,857
	-----	-----
	687,419	671,627
	-----	-----
	\$1,607,214	\$1,511,175
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 98,229	\$ 83,658
Bank loans and current maturities of long-term debt	51,086	302
Accrued taxes	6,637	7,676
Accrued payroll and benefits	19,478	20,043
Other current liabilities	33,323	41,831
Current reserves for dispositions and discontinued operations	20,744	25,370
	-----	-----
Total current liabilities	229,497	178,880
DEFERRED INCOME TAXES	137,819	127,638
LONG-TERM DEBT	482,708	482,920
NONCURRENT RESERVES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS (Net of discontinued operations' assets of \$12,549 and \$13,023)	16,599	20,325
OTHER NONCURRENT LIABILITIES	26,374	23,695
MINORITY INTEREST	21,479	22,516
SHAREHOLDERS' EQUITY		
Common Shares, 60 million shares authorized, 29,621,937 and 29,574,807 shares issued and outstanding	158,439	157,581
Retained earnings	534,299	497,620
	-----	-----
Total shareholders' equity	692,738	655,201
	-----	-----
	\$1,607,214	\$1,511,175
	=====	=====

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

	SIX MONTHS ENDED JUNE 30,	
	1995	1994
OPERATING ACTIVITIES		
Net income	\$ 51,487	\$ 35,833
Non-cash items included in income:		
Depreciation, depletion and amortization	47,238	45,448
Deferred income taxes	7,912	2,451
Increase in other noncurrent liabilities	2,679	830
Change in accounts receivable, inventories and accounts payable	(60,371)	(16,199)
Decrease (increase) in prepaid timber stumpage	268	(15,244)
(Decrease) increase in accrued taxes	(1,039)	6,299
Change in reserves for dispositions and discontinued operations	(2,533)	(2,252)
Other changes in working capital	(11,977)	(6,726)
	-----	-----
Cash provided by operating activities	33,664	50,440
	=====	=====
INVESTING ACTIVITIES		
Capital expenditures, net of sales and retirements of \$713 and \$220	(68,332)	(45,823)
Expenditures for dispositions and discontinued operations, net of tax benefits of \$2,165 and \$2,359	(3,654)	(3,981)
Change in other assets and timber stumpage	(1,087)	(10,745)
	-----	-----
Cash used for investing activities	(73,073)	(60,549)
	=====	=====
FINANCING ACTIVITIES		
Issuance of debt	50,773	188,000
Repayments of debt	(201)	(147,981)
Dividends	(14,808)	(10,644)
Issuance of Common Shares	858	64
Decrease in minority interest	(1,037)	(15,962)
	-----	-----
Cash provided by financing activities	35,585	13,477
	=====	=====
CASH		
Net (decrease) increase in cash	(3,824)	3,368
Balance at beginning of period	9,178	5,989
	-----	-----
Balance at end of period	\$ 5,354	\$ 9,357
	=====	=====
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	\$ 16,755	\$ 15,685
	=====	=====
Income taxes, net of refunds	\$ 19,251	\$ 11,316
	=====	=====

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The sales and operating income of Rayonier's business segments for the three months and six months ended June 30, 1995 and 1994 were as follows (thousands of dollars):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1995	1994	1995	1994
SALES				
TIMBER AND WOOD PRODUCTS:				
Log Trading and Merchandising	\$ 121,301	\$ 85,117	\$ 201,302	\$ 160,709
Timberlands Management and Stumpage	37,508	35,007	87,661	90,286
Wood Products	19,409	21,155	34,532	40,383
	-----	-----	-----	-----
Total Before Intra-segment Eliminations	178,218	141,279	323,495	291,378
Intra-segment Eliminations	(5,564)	(5,334)	(9,748)	(9,830)
	-----	-----	-----	-----
TOTAL TIMBER AND WOOD PRODUCTS	172,654	135,945	313,747	281,548
	-----	-----	-----	-----
SPECIALTY PULP PRODUCTS:				
Chemical Cellulose	82,423	74,114	166,029	145,121
Fluff and Specialty Paper Pulps	64,933	41,518	132,093	83,566
	-----	-----	-----	-----
TOTAL SPECIALTY PULP PRODUCTS	147,356	115,632	298,122	228,687
	-----	-----	-----	-----
Intersegment Eliminations	(6,446)	(807)	(12,473)	(1,738)
	-----	-----	-----	-----
TOTAL SALES	\$ 313,564	\$ 250,770	\$ 599,396	\$ 508,497
	=====	=====	=====	=====
OPERATING INCOME				
Timber and Wood Products	\$ 35,747	\$ 37,938	\$ 78,501	\$ 91,428
Specialty Pulp Products	20,374	(1,001)	35,647	(469)
Corporate and Other	(3,330)	(1,749)	(5,501)	(4,652)
Intersegment Eliminations	900	43	(112)	96
	-----	-----	-----	-----
TOTAL OPERATING INCOME	\$ 53,691	\$ 35,231	\$ 108,535	\$ 86,403
	=====	=====	=====	=====

RESULTS OF OPERATIONS

Sales and Operating Income

Sales of \$314 million for the second quarter of 1995 were \$63 million or 25 percent higher than second quarter of 1994 due to stronger sales prices for Specialty Pulp Products and increased sales volume from Log Trading and Merchandising. Operating income for the quarter of \$54 million was \$18 million or 52 percent higher than last year's level reflecting increased pulp prices. Sales for the six months ended June 30, 1995 of \$599 million were \$91 million or 18 percent higher than the prior year, and operating income of \$109 million increased \$22 million or 26 percent from the prior year.

Timber and Wood Products

Timber and Wood Products' sales in the second quarter were \$173 million, up \$37 million from the second quarter of 1994. The improvement in sales was driven by a significant increase in worldwide log trading volume. Operating income for the quarter of \$36 million was down slightly from the second quarter of 1994 as improved log trading volume was offset by lower lumber selling prices and higher log costs.

Sales for the six month period were \$314 million, up \$32 million from the same period of 1994, with operating income of \$79 million down \$13 million from the prior year period. In the first quarter of 1994, results for the Timber and Wood Products segment were unusually strong as a result of a late 1993 market correction that caused customers to delay the harvesting of high-priced Northwest timber from 1993 to 1994.

Log trading and merchandising sales, which include the Company's New Zealand log sales, improved significantly from the 1994 second quarter due to stronger volume and selling prices in both export and domestic markets. However, overall margins were unchanged as higher log costs largely offset selling price gains. Timberlands management and stumpage sales and operating margins were up from last year's second quarter due to higher stumpage prices in the Southeast U.S. region and increased harvest volume in the Northwest U.S. region. Wood products sales and operating margins were down from the prior year due to lower sales prices caused by weak domestic construction activity. Wood products margins were also negatively impacted by increased log costs.

Specialty Pulp Products

Specialty Pulp Products' second quarter sales were \$147 million, up \$32 million from last year's second quarter, and operating income rose \$21 million. Stronger pulp pricing and improved operating rates were partially offset by higher wood and chemical costs.

First half results for Specialty Pulp Products benefited from improved prices and operating rates. Sales for the six month period increased \$69 million to \$298 million and operating income improved from break-even in 1994 to \$36 million. Pulp markets have continued to strengthen in 1995 and Specialty Pulp Products will benefit in the third quarter from another round of fluff pulp price increases and the second substantial price increase this year for chemical cellulose.

Intersegment

Six months intersegment sales of \$12 million in 1995 were greater than the comparable 1994 amount due to higher stumpage sales from the Timber and Wood Products segment to the Specialty Pulp Products segment.

Other Items

Interest expense of \$17 million for the first half of 1995 increased \$3 million over 1994 primarily due to higher short term interest rates.

Minority interest in the earnings of Rayonier's subsidiary, Rayonier Timberlands, L.P. (RTLTP), decreased \$1 million to \$17 million in the first half, due to decreased partnership earnings resulting from the absence of the Northwest stumpage carry-over earnings in 1994 partially offset by the favorable Southeast stumpage volume and prices. The minority participation in the earnings of RTLTP will change from approximately 25 percent to approximately 1 percent effective January 1, 2001.

Income Taxes

The effective income tax rate for the first half of 1995 was 32.5 percent versus 35.7 percent in the 1994 first half. This decrease reflects benefits from tax reorganizations made following the spin-off from ITT as well as tax benefits on increased pulp export sales.

Net Income

Net income for the second quarter was \$26 million or \$0.88 per common share, up \$12 million or \$0.40 per common share from the 1994 level. Net income for the six months ended June 30, 1995 was \$51 million or \$1.72 per common share, up \$16 million or \$0.51 per common share from 1994's net income.

On July 12, 1995, the Company announced an agreement to sell for \$46 million a 75 percent interest in 9 percent of its New Zealand timber base to a timber investment fund. Closing is scheduled for the third quarter at which time Rayonier will record a pretax gain of approximately \$36 million, or \$0.83 per common share, after tax. The net proceeds from the sale will be used to reduce debt.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities was \$34 million in the first six months of 1995. Cash from operating activities together with an increase in debt of \$51 million financed capital expenditures of \$68 million, common dividends of \$15 million and \$4 million (after tax benefits) of environmental remediation and other costs relating to discontinued operations and units held for disposition. The Company's June 30, 1995 debt/capital ratio of 44 percent is 1 percent above the December 1994 level.

EBITDA (defined as earnings before provision for dispositions, interest expense, income taxes and depreciation, depletion and amortization) for the first six months of 1995 was \$141 million, or \$4.71 per common share, an increase of \$25 million over the comparable period of 1994.

As of June 30, 1995, the Company had \$51 million of bank loans and current maturities of long-term debt which includes medium-term notes scheduled to mature in the third quarter of 1995. The Company intends to refinance these notes with long-term securities issued in the public debt markets.

As of June 30, 1995, the Company had \$100 million of available borrowings under its revolving credit facilities. In addition, through currently effective shelf registration statements filed with the Securities and Exchange Commission, the Company may offer up to \$174 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, working capital and other liquidity needs for the foreseeable future.

ITEM 3. SELECTED OPERATING DATA

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1995	1994	1995	1994
TIMBER AND WOOD PRODUCTS				
Log Sales Volume				
North America - millions of board feet	108	67	168	125
New Zealand - thousands of cubic meters	465	413	852	827
Other - millions of board feet	4	3	6	5
Timber Harvest Volume				
Northwest U.S. - millions of board feet	42	38	88	104
Southeast U.S. - thousands of short green tons	476	490	1,148	953
New Zealand - thousands of cubic meters	324	289	604	567
Lumber Sold - millions of board feet	53	56	94	105
Intercompany Sales				
Logs - millions of board feet	10	1	11	1
Northwest U.S. Timber Stumpage - millions of board feet	10	6	17	14
Southeast U.S. Timber Stumpage - thousands of short green tons	37	19	202	46
SPECIALTY PULP PRODUCTS				
Pulp Sales Volume				
Chemical Cellulose - thousands of metric tons	103	107	208	204
Fluff and Specialty Paper Pulps - thousands of metric tons	81	87	174	176
Production as a Percentage of Capacity	90%	84%	95%	91%
SELECTED SUPPLEMENTAL INFORMATION (thousands of dollars)				
New Zealand - Sales	\$28,794 =====	\$25,933 =====	\$53,076 =====	\$50,848 =====
New Zealand - Operating Income	\$ 3,714 =====	\$ 3,975 =====	\$ 7,407 =====	\$ 7,177 =====

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company's Form 10-K for 1994 reported seven civil cases pending against the Company and its wholly owned subsidiary, Southern Wood Piedmont Company. One of these cases, Inez Tucker, et al. v. Southern Wood Piedmont Co., et al., was settled on June 12, 1995 for amounts not material to the Company and two of the other cases have been consolidated into one action.

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

The Annual Meeting of Shareholders of the Company was held on May 19, 1995. At that meeting, four directors were elected as follows (there were no broker non-votes with respect to the election of directors):

	VOTES FOR -----	VOTES WITHHELD -----
Directors of Class I, Term Expires in 1998:		
Ronald M. Gross	24,254,773	139,606
Katherine D. Ortega	24,242,677	151,702
Burnell R. Roberts	24,243,722	150,657
Director of Class III, Term Expires in 1997:		
Nicholas L. Trivisonno	24,244,634	149,745

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) See Exhibit Index.

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

SIGNATURE

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

RAYONIER INC. (Registrant)

By /s/ KENNETH P. JANETTE

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

August 14, 1995

EXHIBIT INDEX

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

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

	SIX MONTHS ENDED JUNE 30,	
	1995	1994
Earnings:		
Net Income	\$ 51,487	\$ 35,833
Add:		
Income Taxes	24,835	19,892
Minority Interest	16,572	17,371
Amortization of Capitalized Interest	822	706
	-----	-----
	93,716	73,802
Adjustments to Earnings for Fixed Charges:		
Interest and Other Financial Charges	17,308	14,591
Interest Factor Attributable to Rentals	738	880
	-----	-----
	18,046	15,471
	-----	-----
EARNINGS AS ADJUSTED	\$ 111,762	\$ 89,273
	=====	=====
Fixed Charges:		
Fixed Charges above	\$ 18,046	\$ 15,471
Capitalized Interest	511	21
	-----	-----
TOTAL FIXED CHARGES	\$ 18,557	\$ 15,492
	=====	=====
RATIO OF EARNINGS AS ADJUSTED TO TOTAL FIXED CHARGES	6.02	5.76
	=====	=====

6-MOS
DEC-31-1995
JAN-01-1995
JUN-30-1995
5,354
0
133,339
4,341
169,575
371,079
1,250,274
562,855
1,607,214
229,497
482,708
158,439
0
0
534,299
1,607,214
599,396
599,396
476,257
476,257
29,509
0
17,308
76,322
24,835
51,487
0
0
0
51,487
1.72
1.72