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PRESENTATION

Operator

Welcome, and thank you for joining Rayonier's Fourth Quarter and Year-end 2021 Teleconference Call. (Operator Instructions) Today's conference is being recorded. If you have any objections, you may disconnect at this time. Now I will turn the meeting over to Mr. Collin Mings, Vice President Capital Markets and Strategic Planning. Please go ahead.

Collin Mings

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

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

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

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

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

Thanks, Collin. Good morning, everyone. First, I'll make some high-level comments before turning it over to Mark McHugh, Senior Vice President and Chief Financial Officer, to review our consolidated financial results. Then we'll ask Doug Long, Senior Vice President, Forest Resources, to comment on our U.S. and New Zealand timber results. And following the review of our Timber segments, Mark will discuss our Real Estate results as well as our guidance for 2022.

We concluded 2021 with solid operational results and are very pleased with our overall full year financial performance. We achieved record full year adjusted EBITDA results in both our Southern Timber and Pacific Northwest Timber segments, despite contending with increased costs as well as volume constraints driven by inclement weather conditions.

Our New Zealand Timber segment achieved our third highest ever full year adjusted EBITDA result despite navigating a myriad of export market challenges and COVID-related headwinds during the course of the year.

Meanwhile, in our Real Estate segment, we achieved the second highest adjusted EBITDA result and highest weighted average pricing since our separation into a pure-play timber REIT, underscoring our focus on optimizing our portfolio and maximizing HBU premiums. We further achieved record improved development sales of roughly $52 million for the year.

Overall, for the full year, we generated GAAP EPS of $1.08 per share, pro forma EPS of $0.67 per share and adjusted EBITDA of $330 million. While the pandemic continued to post challenges throughout the year, we were able to achieve very strong results across the company due in large part to the unwavering focus of our people, the relative strength of our markets and our nimble approach to operational decision-making. These factors, coupled with improving end-market demand, are setting the foundation for another strong year in 2022.

As Mark will discuss in greater detail, we're providing full year 2022 adjusted EBITDA guidance of $310 million to $340 million. Notably, the midpoint of our initial 2022 guidance is down only slightly from 2021 despite our expectation that the contribution from real estate activity will return to a more normalized level this year.

Stepping back to the fourth quarter, we generated total adjusted EBITDA of $50 million and pro forma EPS of $0.01 per share. Drilling down to our different operating segments, our Southern Timber segment generated adjusted EBITDA of $34 million for the quarter, which was 44% above the prior year fourth quarter. We were encouraged to see net stumpage prices increase by 25% as well as a 14% increase in harvest volumes.

In our Pacific Northwest Timber segment, we achieved adjusted EBITDA of $13 million, down 8% from the prior year quarter. The year-over-year decrease was primarily attributable to higher costs, partially offset by higher net stumpage prices and higher non-timber income.

In our New Zealand Timber segment, fourth quarter adjusted EBITDA fell to $10 million, down from $17 million in the prior year quarter, as higher pricing was more than offset by 9% lower production volumes and compressed margins due to significantly higher shipping costs.

In our Real Estate segment, we generated adjusted EBITDA of $3 million down significantly from $26 million in the prior year period as a 90% reduction in acres sold was partially offset by a significant increase in weighted average prices. The moderation in real estate activity to end 2021 was anticipated following an exceptionally strong third quarter.

Switching gears from fourth quarter results, I'd like to highlight the active quarter we had on the portfolio management front. As previously disclosed, we closed the final 2 transactions associated with our sale of the Timber Funds business during the fourth quarter and have now completely exited this business. In sum, we generated total proceeds to Rayonier of approximately $73 million through our divestiture of the Timber Funds business. We're very pleased to have successfully exited this business as it allows us to simplify our corporate structure and financial reporting. We're further pleased to have returned significant capital from this noncore asset at a favorable valuation relative to our initial underwriting in 2020.

Additionally, we closed the acquisition of 66,800 acres in Texas and Georgia for $124 million or roughly $1,860 per acre during the fourth quarter. These properties are positioned in strong timber markets with a diverse customer base, and we expect that they will generate a sustainable harvest of approximately 220,000 tons annually. The opportunistic use of our at-the-market equity offering program as well as proceeds from the sale of the Timber Funds business provided us with ample balance sheet flexibility to fund this acquisition with cash on hand.

With that, let me turn it over to Mark for more details on our fourth quarter financial results.

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

Thanks, Dave. Let's start on Page 5 with our financial highlights. Sales for the quarter totaled $262 million, while operating income was $34 million and net income attributable to Rayonier was $9 million or $0.06 per share. On a pro forma basis, net income was $2 million or $0.01 per share. Pro forma adjustments for the quarter were primarily associated with the actions taken to exit the Timber Funds business. We generated fourth quarter adjusted EBITDA of $50 million, which was down from the prior year period, primarily due to a much smaller contribution from our Real Estate segment. For the full year, adjusted EBITDA of $330 million increased significantly over 2020 adjusted EBITDA of $267 million as each of our key operating segments registered meaningful year-over-year improvements.

On the bottom of Page 5, we provide an overview of our capital resources and liquidity at year-end as well as a comparison to the prior year. Our cash available for distribution, or CAD, for the full year was $208 million versus $162 million in the prior year, primarily driven by higher adjusted EBITDA, which was partially offset by higher cash taxes, interest expense and capital expenditures. A reconciliation of CAD to cash provided by operating activities and other GAAP measures is provided on Page 8 of the financial supplement.

Consistent with our nimble approach to capital allocation, we raised $66 million through our at-the-market equity offering program during the fourth quarter at an average price of $39.70 per share. As previously discussed, we view the ATM program as a cost-effective tool to opportunistically raise equity capital, strengthen our balance sheet and match fund bolt-on acquisitions.

We closed the quarter with $359 million of cash and $1.4 billion of debt. Our net debt of $1 billion represented 14% of our enterprise value based on our closing stock price at the end of the year. Subsequent to quarter end, as previously announced, we redeemed $325 million of senior notes due 2022 with cash on hand and proceeds from the $200 million delayed draw term loan executed in mid-2021. Pro forma for these financing actions, our weighted average cost of debt declined to roughly 2.7%, while our weighted average maturity was extended to roughly 7 years.

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

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

Thanks, Mark. Good morning. Let's start on Page 9 with our Southern Timber segment. Adjusted EBITDA in the fourth quarter of $34 million was $10 million above the prior year quarter. The year-over-year improvement was primarily driven by a significant increase in net stumpage pricing and higher harvest volumes, partially offset by higher costs. More specifically, volume climbed 14% during the fourth quarter as drier conditions enabled customers to ramp up production to meet demand. Despite ongoing constraints on trucking availability, sawlog stumpage pricing rose 21% versus the prior year quarter. At nearly $31 per ton, fourth quarter pricing reflected the highest average Southern sawlog realizations we have registered since our separation into a pure-play timberland REIT in 2014.

The improved pricing reflects strong demand from sawmills, the impact of weather-related constraints on supply, upward pressure on chip-n-saw pricing due to increased competition from pulp and pellet mills as well as export log demand in certain markets.

Pulpwood pricing also improved significantly, increasing 34% from the prior year quarter primarily driven by strong domestic demand and constrained supply due to wet weather conditions leading into the fourth quarter. Overall, weighted average stumpage prices improved 25% year-over-year. We were pleased with the pricing gains we achieved during the quarter and are encouraged that this positive momentum has continued into the new year as customer demand across our southern footprint remains very robust even as weather conditions have normalized.

Moving to our Pacific Northwest Timber segment on Page 10. Adjusted EBITDA of $13 million was $1 million below the prior year quarter. The year-over-year decrease was attributable to slightly lower harvest volumes and higher costs, partially offset by higher net stumpage prices and higher non-timber income. Volume declined 2% in the fourth quarter as compared to the prior year quarter as unfavorable weather conditions impacted harvest activity.

Turning to pricing. At roughly $98 per ton, our average delivered sawlog price during the fourth quarter was up 2% from the prior year quarter. Strong pricing was generally sustained throughout the quarter, we've seen positive price momentum in early 2022 amid the recent surge in lumber prices and improving export market demand. Meanwhile, pulpwood pricing increased 9% in the fourth quarter relative to the prior year quarter, due to improved demand as pulp mills in the region resumed full production.

Page 11 shows results in key operating metrics for our New Zealand Timber segment. Adjusted EBITDA in the fourth quarter of $10 million was $7 million below the prior year quarter. The decline in adjusted EBITDA was driven by lower harvest volumes, higher freight and demurrage costs, higher logging costs and lower carbon credit sales, partially offset by stronger delivered log prices and favorable foreign exchange impacts.

Volume declined 9% in the fourth quarter as compared to the prior year quarter, primarily due to above average production in the prior year quarter following COVID-related disruptions earlier in the year.

Turning to pricing. Average delivery prices for export sawtimber increased 27% in the fourth quarter in the prior year quarter to nearly $133 per ton. The improvement in export sawtimber prices versus the prior year period reflected our ability to pass on some of the higher costs, we're experiencing, to customers as well as the restriction on competing log imports into China from Australia.

However, as compared to the previous 2 quarters, the pricing environment for radiata pine logs weakened during the fourth quarter in response to elevated log inventories in China and softer demand. A slowdown in construction activity, adverse weather conditions and power shortages in China collectively reduced the offtake from ports and resulted in pricing pressure on log exports.

That said, we believe pricing likely bottomed in December we've seen pricing improve to start 2022. The reduced flow of European spruce salvage logs into China, the continued ban on Australian log imports by China and the ban on Russian log exports are collectively translating into improving supply-demand ahead of the Lunar New Year. We expect log inventories in China to normalize as demand picks up following the holiday, which should translate into improved export pricing.

Shifting to the New Zealand domestic market. Demand remains healthy, albeit constrained to some degree by COVID-related restrictions and availability of labor. During the fourth quarter, average delivered sawlog prices increased 10% from the prior year period to $81 per ton. Excluding the impact of foreign exchange rates, domestic sawtimber prices improved 6% versus the prior year period, following the upward trend in the export market. As a reminder, domestic sawtimber pricing normally follows export pricing with a lag. Average domestic pulpwood pricing climbed 20% as compared to the prior year quarter.

As it relates to carbon credits, we continue to defer sales during the fourth quarter. However, we have resumed carbon credit sales in 2022, following a doubling of carbon pricing over the past year. Moving ahead, we will continue to remain opportunistic in our sale of carbon credits depending on market conditions.

I'll now briefly discuss the results from our Timber Funds segment. Highlighted on Page 12, the Timber Funds segment registered slightly negative consolidated EBITDA in the fourth quarter on harvest volume of only 22,000 tons. Adjusted EBITDA, which reflects the look-through contribution from the Timber Funds was also slightly negative. As Dave discussed earlier, we have completed our exit from the Timber Funds business, and will discontinue reporting this segment next quarter.

Lastly, in our Trading segment, we posted a slight operating loss in the fourth quarter. As a reminder, our trading activities typically generate low margins and are primarily designed to provide additional economies of scale to our timber export business.

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

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

Thanks, Doug. As detailed on Page 13. As expected, the contribution from our Real Estate segment was relatively light during the fourth quarter compared to the exceptionally strong results posted in the third quarter. Fourth quarter real estate sales totaled $11 million and roughly 1,200 acres sold at an average price of just over $8,600 per acre. Adjusted EBITDA for the quarter was $3 million.

Sales in the improved development category totaled $4 million in the fourth quarter. In our Richmond Hill development project, South of Savannah, Georgia, we closed $3 million of sales, including our first nonindustrial parcels which consisted of 2 residential lots and a 5-acre commercial property. We also completed an industrial sale consisting of 12 acres.

Meanwhile, within our Wildlight development project, north of Jacksonville, Florida, we closed on roughly 5 acres of commercial property for approximately $1 million. While the timing of development-related land sales will remain lumpy quarter-to-quarter, the location and increasing maturity of our projects offer us a strong foundation to capitalize on the migration and demographic trends that we believe will benefit our landholdings in Wildlight, Richmond Hill and the West Puget Sound area of Washington for years to come.

Turning to the rural category, sales totaled roughly $6 million, consisting of 1,200 acres at an average price of just over $5,100 per acre. Thus far in 2022, demand for rural land has remained healthy as the space, privacy and recreational opportunities offered by these properties continue to attract buyers. We remain intently focused on achieving significant premiums to stand-alone timberland value through activities of our real estate platform and are encouraged by the pipeline of sales we are building for the year ahead.

Now moving on to our outlook for 2022. Page 15 shows our financial guidance by segment and Schedule G of our earnings release provides a reconciliation of our adjusted EBITDA guidance to our net income attributable to Rayonier as well as EPS. For full year 2022, we expect to achieve adjusted EBITDA of $310 million to $340 million. Net income attributable to Rayonier of $83 million to $92 million and EPS of $0.57 to $0.64.

In our Southern Timber segment, we expect to achieve full year harvest volumes of 6.3 million to 6.6 million tons. The anticipated increase relative to the prior year reflects a rebound in harvest activity following the wet weather conditions and supply chain constraints that negatively impacted full year 2021 volumes as well as the expected contribution from recent acquisitions. We also expect a meaningful improvement in weighted average stumpage realizations relative to full year 2021 driven by strong demand, partially offset by higher harvest and transportation costs.

Notably, our guidance range also contemplates the near-term uncertainty associated with Southern log exports to China due to the recently implemented pinewood nematode policies. All said, we expect full year adjusted EBITDA of $145 million to $153 million in our Southern Timber segment.

In our Pacific Northwest Timber segment, we expect full year harvest volumes of 1.7 million to 1.8 million tons. We have seen improved domestic log demand following the recent increase in lumber prices. We're also seeing signs of increased export demand to start 2022 and expect continued momentum as a reduced flow of logs from other markets drives increased export demand in the Pacific Northwest.

Based on these supply-demand dynamics, we expect that weighted average log pricing will increase modestly relative to full year 2021. However, we expect that higher delivered prices will be largely offset by increased harvest and transportation costs. Overall, we expect full year adjusted EBITDA of $55 million to $60 million.

In our New Zealand Timber segment, we expect full year harvest volumes of 2.6 million to 2.8 million tons. While current log pricing remains below 2021 average levels, we expect the pricing will improve as log inventories in China normalize and export demand picks up following the Lunar New Year. For the full year, we expect that average export and domestic pricing will be only modestly below 2021 levels. That said, we expect that increased harvest and transportation costs will continue to put pressure on net stumpage realizations.

Lastly, as Doug noted earlier, we expect that our New Zealand Timber segment will benefit from the resumption of carbon credit sales in 2022. Overall, we expect full year adjusted EBITDA of $68 million to $75 million. However, due to seasonally lower volumes, continued supply chain disruptions and lower current pricing relative to the levels we expect for the full year, we expect a lower adjusted EBITDA contribution from this segment in the first half versus the second half of the year.

In our Real Estate segment, we expect full year adjusted EBITDA of $70 million to $80 million. As previously discussed, following exceptionally strong real estate results in 2021, we anticipate more normalized transaction activity in 2022. More details regarding our 2022 guidance can be found on Page G of the earnings release as well as Page 15 of the financial supplement.

In sum, the market backdrop generally remains positive across our businesses. That said, as discussed last quarter, we are not immune from the supply chain and inflationary pressures that are impacting many parts of the global economy. We expect these challenges will likely persist through at least 2022. However, our team continues to work diligently to optimize haul distances, leverage our scale and dependability in both domestic and export markets and make prudent silviculture investment decisions tied to localized supply-demand dynamics. Overall, we believe we are well positioned to navigate logistical challenges and largely recoup the impact of cost increases and our long pricing.

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

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

Thanks, Mark. As I reflect on 2021, I'm proud of both our exceptional financial performance as well as our team's relentless focus on executing against our strategic priorities in what was a challenging and ever-evolving operating environment. Following a very tumultuous 2020, with the introduction of vaccines early in 2021, we were hopeful that we would return to some form of normalcy as the year progressed. However, with the emergence of 2 new variants, the operating environment remained challenged by periodic COVID-related disruptions and supply chain constraints.

We further had to contend with labor shortages and persistent wet weather in many of our regions, which then -- which when combined with the challenges posed by COVID, reduced our harvest volumes versus our original plan. Despite these headwinds, our team worked diligently to adapt to fast-changing market conditions and logistical challenges to capitalize on a favorable pricing environment and post excellent financial results.

Our Real Estate team also did a stellar job in 2021 of capitalizing on market opportunities and successfully leveraging the breadth of product offerings across our portfolio. Due in part to a general shortage of residential lots within our markets, we made a strategic decision to sell undeveloped pods in both Wildlight and the Pacific Northwest. Meanwhile, the favorable momentum associated with the expansion of the Port of Savannah as well as the new I-95 interchange in Richmond Hill, allowed us to accelerate the absorption of industrial parcels.

In sum, real estate results benefited from both strong pricing and faster absorption. Looking ahead, we're encouraged by the momentum across our development projects and believe that they are ideally positioned for further success. Beyond our favorable full year financial performance, we tackled a number of important initiatives in 2021. In the wake of the Pope Resources transaction, a major initiative this past year was to create some added balance sheet capacity for future growth. To this end, we successfully sold over 16,600 acres of less strategic holdings in Washington State as well as completed our exit of the Timber Funds business at a value that exceeded our initial underwriting.

Further, we opportunistically issued a total of $236 million of equity through our ATM program in 2021 at a weighted average price of $37.05 per share as well as restructured our debt portfolio through a series of actions that extended our weighted average maturity and lowered our weighted average cost of debt. These portfolio and balance sheet moves allowed us to remain nimble and active acquiring Timberland in 2021. As we closed 9 acquisitions in the U.S. and New Zealand, totaling 102,000 acres for $179 million. With year-end net debt to adjusted EBITDA of 3.1x, we believe we are well positioned to execute on future high-quality growth opportunities and other capital allocation priorities. While this was a very busy year on the operational capital markets and transaction fronts, we also made significant strides in advancing ESG-related initiatives.

We believe Rayonier is uniquely well positioned for a low carbon economy, and we're proud to publish our first ever carbon report covering 2019 data earlier this year. We followed this report in August with the publication of our 2020 carbon report as well as our inaugural sustainability report. Beyond the publications of these reports, I would also note that we continue to advance many other ESG-related initiatives and have further set out ambitious ESG objectives for 2022.

As we enter 2022, I'm encouraged by strong end market demand and believe we have the team and portfolio to capitalize on favorable pricing momentum across many of our timber markets as well as continued strong interest in rural land and titled development properties.

The resiliency and dedication of our employees over the past 2 years demonstrates their ownership mentality. As market conditions and opportunities continue to evolve, I'm confident this collective mindset will continue to drive long-term value creation for our shareholders.

This concludes our prepared remarks, and I'll now turn the call back over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question is from Anthony Pettinari with Citi.

Anthony James Pettinari ***Citigroup Inc., Research Division - Director & US Paper, Packaging & Building Products Analyst***

In Real Estate, last year, you generated $100 million in EBITDA, which was well above the guidance you initially gave for the year. I think in 2020, you did $90 million, which was at the high end of the initial guidance even with the pandemic hitting. So when we think about the '22 guide of $70 million to $80 million, I'm just wondering if you could kind of talk or help us sort of frame the dynamics in that business, which is obviously lumpy, but has been beating expectations in recent years? And is there a level of conservatism in the guide just given how hot land markets in the South appear to be?

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

Yes. Thanks, Anthony. This is Mark. I'll take that. Look, it's a very tough business to forecast because the nature of the transactions, they're binary. They either occur, they don't occur. Last year, in particular, we obviously had the Arborwood transaction in the Pacific Northwest, which was a $37.5 million transaction. So that meaningfully moved the dial to the positive. And from time to time, we have those. And it does -- and it can dramatically change your outlook for the year when you have a single transaction of that nature that comes in because we were not anticipating that transaction coming into the year in 2021.

So I think we've tended to outperform in real estate. We're obviously in a very hot real estate market. We built a pipeline of development properties. I'd say the development properties, in particular, tend to be a bit more predictable. I mean they have to be at a sort of state of readiness to go out to market with. It's really the rural and the unimproved development where from time to time, we'll have some outsized wins that we weren't anticipating going into the year. But it's a little bit -- we're always a bit reluctant to kind of assume that we're going to see that type of activity because -- if it doesn't happen, you end up sort of -- you can end up meaningfully underperforming your outlook for the year.

So we always think it's prudent to be a bit conservative in our outlook for the year, and we'd prefer to kind of outperform that outlook versus underperform. But keep in mind, from a very long-term perspective, we do try to kind of model this business based on our historical experience. And our historical experience of going back 15 years, is that on average, we've sold about 25,000 acres a year into that HBU market generally at premiums in the range of 50% to 100% above timberland value. Obviously, last year was quite a bit stronger than that. But when we think about the longer term and sort of the steady state for that business, that's kind of where we come out. And so I think what we've guided to for next year is very consistent with that, albeit leaning more towards some higher value opportunities, particularly on the development front.

Anthony James Pettinari ***Citigroup Inc., Research Division - Director & US Paper, Packaging & Building Products Analyst***

Okay. That's very helpful. And then last year, your weighted Southern Timberland pricing was up, I think, 15%. I know there's a lot in there with mix and weather and higher costs, but looking to '22, your outlook for U.S. South pricing seems upbeat or maybe a little bit more upbeat than peers. Just wondering from a big picture perspective, if you could talk about your sort of degree of visibility or degree of confidence in pricing momentum in the South in '22, maybe compared to previous years?

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

Yes, Anthony, this is Dave. I'll give some intro and then Doug can kind of pick up. I mean, this is something that we've been talking about for a long time, as you know. I think an element of this is certainly geographic mix. And keep in mind, as we've discussed, the majority of our Southern ownership is in wood baskets with balanced growth-drain relationships ratios. And so -- these create greater price elasticity during times of rising lumber markets. And so I think that fact gives us a fair bit of bullishness as we think about those markets. And we've certainly seen that this last year and starting this year.

I think another nuance to kind of keep in mind is as a pure-play Timber REIT, we have a fair bit of flexibility in the form of sale, and we pride ourselves in that. Some people like to say they're all delivered. We believe in a mix of delivered sales and stumpage sales, which we think gives us a nimble sales posture where we don't have internal mills to feed, we feel like we can pull that lever and extract value from time to time.

And then thirdly, I think a breadth of product offerings. We vary our regimes species to species, region to region. Some where we have -- were heavier to sawtimber, others where we're heavier to pulpwood markets, trying to capitalize on what the market gives us. And then I think lastly is the role that exports play, and we feel that helps tension markets in the South on the margin. And really, that's how prices are ultimately determined. Maybe Doug can provide some additional color to your question.

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

Yes. I would agree. I mean, Dave said that very well. I think the key thing we see, particularly we've been talking about is the increased capacity of sawmills in our operating area and particularly on the Atlantic Coast. And so we've really seen those come to play. In the past few years, we've seen about a 0.5 billion board feet come into the Florida markets, another 1.3 billion in the Georgia markets and 0.7 billion in the South Carolina and other call it, 1.5 billion board feet kind of in the Alabama market. And so we're really seeing a lot of growth in those areas, a lot of competition for sawlogs.

And so we've really seen demand even as weather normalized -- we've just seen increased demand in pricing in those markets. So we're really seeing that reaction that Dave mentioned to the supply demand there. And really pleased that all of our areas, except for Arkansas, we saw them meaningful price improvement across all of our grades. So really just the 1 laggard that we had in that area. And thankfully, we're about done with our harvesting in that area, and we'll be moving on past those. So it was a really strong year for us. And we see that continue into this year, as Dave mentioned, capitalizing on the stumpage sales program early in the year.

Operator

The next question is from Mark Wilde with BMO Capital Markets.

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

It's Jesse Barone on for Mark. I guess just to start, could you give your kind of outlook for timberland M&A activity in 2022, kind of what valuations look like and kind of what you're seeing on the ESG front, how that's impacting those valuations?

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

Yes. I think we're definitely in a mode where -- the markets are pretty strong right now. We're seeing a fair bit of capital continue to flow into those markets. And I think that's translated into some compressed discount rates in terms of behavior. It's always hard to predict fully in a year forward since the level of transaction activity. I can say that we're active in all 3 of our primary geographic segments, looking at properties. But at the same time, we're being careful to stay disciplined, really looking for those opportunities that are nice bolt-on fits. We're a believer in sort of smaller is better in terms of complementary fit. And so we just continue to kind of plug away in that respect.

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

And then just one other for me. On the Southern export side, could you just kind of give more details around kind of what those volumes look like, where they could eventually get to in kind of a couple of years, and how much of an impact they really had on pricing in the short term?

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

Yes. This is Doug. I'll take that. Yes. Well, as I mentioned for competitive reasons, I won't really go into our specific volumes and things like that on these markets. But I can talk a little bit overall about what we're seeing right now. And basically, with the pinewood nematode policy that's been implemented in China, we're seeing quite a few exporters that have left the market. Matter of fact over a dozen exporters along as Atlantic Coast have shut down exports to China. So expect to see a pretty sharp decline in [southern yellow pine] exports in China into Q1 at least. As a matter of fact, between October, November, which normally goes down because of the new year, but we saw a 50% decline. So we've seen a significant decline there.

To make up for that, though, we've heard China importers have acquired 3 Panamax vessels from Uruguay and -- for Q1. And Uruguay has been a large importer of southern yellow pine into India. So their pivot from India to China has opened up the market for southern yellow pine into India. And so we're working on moving volume into India have been and increased our volumes in there in Q1. And so while we analyze that China supply side implementation of the nematodes, we're looking at growing our business into China and

Vietnam. So we do believe there's going to be a reduction, at least in the first half of the year overall, across the South of exports as people try to react to what things look like, but that it favors the larger exporters that we look to position ourselves into different markets.

Operator

The next question is from Mark Weintraub with Seaport Research Partners.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

So just following up a little bit on this -- the notion of more lumber production in the South helping your business. It's sort of interesting, if you actually look at the data it doesn't seem like there was that much more lumber production in the South this year overall, but maybe it's been different in your specific markets. And I guess there's a good and a bad interpretation of that. On the one hand, maybe I'll ask the question, was it weather or more demand that was helping pricing in the South to-date?

And then I guess the follow-up would be if -- we didn't have that production increase show up. Do we have a big step-up that's ahead of us -- so as -- and obviously, that could be a positive, I would think. So is there any thoughts or color around those observations?

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

Yes, I'll start there. I mean, we definitely had a wet summer in particular. And so we definitely saw some wet weather impacts on things we went through. But really, in Q4, that started to moderate and dry out and has been reasonable, actually below the prior year as we move into the first quarter. So while there were wet weather impacts, we also have just seen that increased demand from the mills. I can't really comment myself because I don't own the mills on their production levels or where they are, but we continue to see we had a wet weather impact. But after that, things have moderated and we continue see just increased demand for every time we put wood up for sale or we have a delivered negotiation.

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

Mark, I'd add to that. Keep in mind that you have fairly long ramp-ups on some of these CapEx announcements on the sawmill side. And then that's been exacerbated by COVID outbreaks from time to time. And so I think that's acted. Those 2 things plus general backlog on equipment that's been ordered for part of these new facilities, I do think you're going to see kind of a gradual increase in Southern production as those things kind of get ironed out over time. But I think to Doug's point, we're in encouraged that we're seeing that already in a demand sense even though we're -- we've got a ways to go to get to those kind of nameplate production levels.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

And I guess I was just trying to get a read as to whether or not there is the potential for a more compressed step-up because of the issues you referenced with COVID, et cetera, that sort of maybe prevented the industry from really running at its production -- full production capabilities as supply chain and absenteeism potentially become less of a problem. Do you think there's -- do you get from -- a sense from your customers that there could be a big step-up that arrives? Or is it -- I think I heard you suggesting it'd be in all likelihood more gradual. So I just wanted to push on that a little bit.

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

Yes, I'll take a step at this. This is Doug again. I mean, I'll give some anecdotal evidence, I guess, from customer discussions. And to your point, we're well aware of multiple mills, a lot of the mills having to take downtime, 1 or 2 weeks due to COVID over time. So I do think, as Dave mentioned, there's incremental capacity that will come online and continue to work. I wouldn't want to try to guess on whether there's a compressed increase or not, but what we're seeing is just that sustained price momentum and growth as we go. And I do believe there will be increased demand because we have seen a lot of the mills that we supply have taken downtime particularly on the sawmill side of things over the course of the past year.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Okay. Great. And one quick other follow-up on the timberlands question. So based on your comments and what we've heard from some others, it sounds like the market's heating up. Discount rates are low again, et cetera. And yet, you're very selective. I mean how hard is it going to be for you to get the types of opportunities to grow the business at the prices that make sense to you? Are you feeling at all discouraged at this point given what's going on, or conversely, are there reasons for optimism?

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

I mean it certainly is competitive. I don't want to sort of mislead you there. But I'd say also we purchased 102,000 acres last year, which is not insignificant. We tend to put a fair bit of emphasis on negotiated bolt-on sales that tend to get less visibility, so we like that that posture. And we're happy with the growth that we've had. We placed $179 million into those transactions, all of which were bolt-ons, and we added lands in strong markets, roughly 1/4 in Florida and Georgia, roughly half in Texas and the balance, a small amount in New Zealand.

And so we think these are all very nice from a complementary fit with our existing land base, nice quality lands. They're not encumbered by wood supply agreements. So we think that gives us lots of optionality going forward. And in this recently announced transaction that had lands in about roughly 52,000 acres in Texas, that's within 3 hours of 2 of the nation's top 10 single-family housing markets. And so we're excited about kind of the strategic location of that and the fit with our existing operations in Texas.

Operator

The next question is from Paul Quinn with RBC Capital Markets.

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

Just start off on maybe in timberlines, just trying to understand the conservatism that sort of I expected a higher guide on Pacific Northwest and New Zealand just because of that log export ban in Russia. So just wondering what the log inventories are currently in China? When do you expect them to normalize and why you aren't seeing further or more upside on the pricing side?

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

Sure. This is Doug. I'll start off on this one. So currently, we're seeing the China inventory level, estimated around 5.4 million cubic meters, which is actually down from December. So that's a good for us. December and early January demand actually prior to Lunar New Year, surprised us to the upside. And in December is running around 8,000 cubic meters per day and then around average of 45,000 cubic meters per day in January, which includes the impact of the holiday shutdown. So pretty strong demand going into the holidays. So we're upside on that. And the customers are beginning to see that the future impacts of reductions in the softwood log supply that you mentioned from Russia and reduced European spruce salvage, the continued Australia ban, and now the uncertainty of U.S.- southern yellow pine due to the nematode policies as well as the strongest domestic demand.

But what we did have though was that kind of a Real Estate correction that loomed over the markets in late Q3 and early Q4. And so the market did drop off of where it was in 2021. But with the government stepping in to restructure many of those highly indebted companies come with more state-owned entities, we're starting to see that worry less in the market. And the government has already lifted some of the constraints on mortgage borrowers and reduced the bank reserve ratio to put more liquidity in that market. In addition, they're investing more in infrastructure projects to help boost economic growth. And that's a good signal to our lumber and plywood customers. And that was significantly offsetting the housing downturn.

So we see good strong demand coming out of China after the Lunar New Year. One of the big things we have working against us, though, is still shipping. So shipping prices are still extremely high. There's plenty of press out there in the world about everything that's happening. Vessel times are getting better going into China. But you still are subject to individual port lockdowns due to the strict COVID policies they have there. So any given vessel can be locked down. And we've had vessels sit for upwards of 30 to 40 days sometimes trying to get in.

So there's a few things out there that kind of give us a cautiousness around what we're looking at. We see strong demand, but we still see supply chain challenges as we go through there. But we mentioned about the logs that you mentioned and then also this is coupled with the significant decrease of over 25% in lumber imports in 2021 due to the strengthening of the markets in U.S. and Europe. We do see it positive on the demand side, but we're just being a bit cautious there around the supply chain constraints that are in the market right now.

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

Okay. That's great color. And then just over on the carbon side. With respect to North America, one of your competitors has been pretty -- well, started to set out some goals or longer-term goals. Just wondering what -- how you think about monetizing your carbon sequestration on your timberlands in North America.

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

This is Mark. I'll take that. The market opportunity there, I think, is still fairly speculative. We continue to believe that carbon represents a very significant opportunity for our sector, not only to be part of the solution to climate change, but also to improve the economics of our forests. The path to net zero is going to require negative admissions. The key issue going forward is how negative emissions are accounted for and how the market for negative emissions ultimately evolves over time. The demand for carbon offsets in the voluntary market was about 100 million units in 2020. Various forecasts show that demand growing by 10 to 15x by 2030 and by 50 to 100x by 2050.

So that sort of gets you to implied demand for negative emissions of at least 5 billion metric tons of CO2 equivalents in 2050, with an escalating path to that figure between now and then. To put that in context, the global industrial round wood harvest in 2019 was about 2 billion tons. So there's a big disconnect between sort of the demand for carbon and kind of the available fiber supply to provide that carbon, at least within the forestry market. So we think this could become a big opportunity for our sector.

Working for us are the most readily available and cheapest technology that's out there today to generate negative emissions. But it's not the only technology. There are other technologies like direct carbon capture and storage, but those types of technologies are going to require much higher economic incentives to really get off the ground in the form of higher offset pricing, for example. I think it's also worth noting that even when you're kind of putting aside carbon, there are various other potential uses of wood fiber on this path to net zero that we also think could be pretty impactful for our industry, such as sustainable aviation fuels, biomass energy and mass timber.

So as we kind of think about the broad opportunity around economic opportunity around ESG, any one of these uses could have a very significant effect on the demand for wood fiber and land use especially if they really scale up. And taken together, we think it sets a pretty compelling backdrop as we look forward around the role that working for us could play in climate change. But it's still very difficult to estimate kind of what that value looks like on a go-forward basis. Right now, the voluntary market prices carbon at a level that isn't really going to incentivize a meaningful change in our behavior. So we're really going to need to see that market scale up over time and the price of carbon in the voluntary market move up over time to really kind of start to assess how that's going to affect our industry.

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

Yes. I'll just add to that kind of on New Zealand experience and -- our participation in the emissions strain scheme in New Zealand gives us a unique perspective as it relates to monetizing carbon. And the New Zealand government implemented changes to the program in 2020 that we believe would significantly increase the value of carbon and they actually did result in a doubling of the prices to currently over $70. So those changes have included a floor and a cost containment cap of $70 in 2022 to help reduce price volatility. And we believe that's now been fully recognized in the market, so we're starting to opportunistically sell into that market.

That's an example of what Mark said, where there's still things working out there trying to understand, but the value that we see. There's a lot more opportunity in New Zealand and that pricing that we saw compared to what the current voluntary markets are. And we've seen New Zealand prices move a lot as it got regulated over time. So I think we have to be careful as we think about how we move into this market.

Even the secondary market in New Zealand right now is trading above that cost containment cap, which we also saw in 2021. So based on individual meters needs, there's opportunities for price improvement even in a market where we have cost and payment caps. So it's a very fluid market with a lot of potential upside, and we participate in the New Zealand market, and that gives us a lot of insight when we think about our North American process.

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

Suffice to say, we're spending a lot of time looking at this and thinking about it right now and looking to kind of scale up resources to really tackle this. We just think it's a bit premature to start to put out a financial forecast around what we think is achievable in the near term.

Operator

(Operator Instructions) Our next question is from John Babcock with Bank of America.

John Plimpton Babcock ***BofA Securities, Research Division - VP***

I guess actually just following up on that last point. You talked about doubling in prices in New Zealand on the carbon front. I mean is there any way you could provide some sense as to what the contribution is to sales or earnings down in that region at all? Recognizing this is still a pretty small part of your overall business.

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

Yes. Essentially, all of our non-timber sales within New Zealand are carbon credit sales. And so we actually provide that disclosure in our supplement. And so if you look at the non-timber sales line item, the vast majority of that is carbon credit sales. I'd like to say, we didn't have them in 2021, but we have started to monetize carbon in 2022 with the big increase in prices.

John Plimpton Babcock ***BofA Securities, Research Division - VP***

Okay. That's helpful. And then next question, just kind of back to the Southern solid pricing. Recognizing there are a lot of different factors here that could play into that. But with lumber prices as high as they are, I mean, are you seeing any sort of carryover from that into sawlog pricing at this point?

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

Yes. I mean that's -- as we discussed before, we have -- I mean, obviously, there's real strength in the market that we talked about in Atlantic Coast. And so we continue on a daily basis, if not weekly basis, we negotiate our sales and delivered and stumpage, and we're seeing that pricing on the lumber. As Dave mentioned, very elastic market due to tight supply and demand ratio, so we're absolutely seeing that translate straight into stumpage pricing.

John Plimpton Babcock ***BofA Securities, Research Division - VP***

Okay. And then really just, I guess, the last question on my side. Can you just talk about how you're thinking about the level of the dividend and ultimately, what it would take to see an increase in the dividend level?

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

Sure. I mean we evaluate the dividend periodically with the Board, and we take into account other capital allocation priorities as we do that. But ultimately, our goal is to stay nimble with respect to those capital allocation priorities with an eye always on maximizing our long-term value per share. We do want to ultimately grow the dividend over time, but we also want our dividend to be sustainable and predictable from the perspective of our shareholders. And because of that, whenever we make an increase, we view that as a fairly permanent decision. So therefore, we make those decisions on a pretty measured and deliberate basis. We don't sort of look for short-term reactions to changing market conditions. We really have a mindset where at the beginning of COVID, for example, we chose not to reduce our dividend because we saw that as a situation that was going to last a few quarters, not a few years. And I think that's proved to be the case.

Obviously, we've seen a major uptick in market conditions of late. And I think now the key is to sort of prudently assess the staying power of those recent market trends as we think about the dividend going forward. But keep in mind, this is definitely something that we look at on a pretty regular basis with our board.

Operator

And that was our final question. I'll now turn it back to the speakers for any closing remarks.

Collin Mings

All right. Thank you. This is Collin Mings. I'd like to thank everybody for joining us. Please contact us with any follow-up questions.

Operator

Thank you. And that does conclude today's conference. Thank you all for participating. You may disconnect at this time.