Rayonier

Corporate Headquarters

To: rule-comments@sec.gov

From: Hans E. Vanden Noort
Sr. Vice President and Chief Financial Officer

Subject: Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers

File Number: **S7-27-08**

50 N. Laura Street • Jacksonville, FL 32202
Telephone (904) 357-9100 • Fax (904) 357-9101

Rayonier

Corporate Headquarters

Ms. Elizabeth Murphy
Secretary Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File No. S7-27-08, Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers

Rayonier Inc. ("Rayonier" or "we") appreciates the opportunity to comment on the *Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers* issued by the Securities and Exchange Commission ("SEC"). We are a leading international forest products company owning, leasing or managing over 2.6 million acres of timberlands and real estate.

Rayonier supports the goal of a single set of high-quality accounting standards. However, we do not believe the proposed roadmap to convert to IFRS is the best means to achieve that goal. We are concerned about the impact that IFRS would have on the quality of our financial reporting and we believe that the costs would far outweigh the benefits to be realized. We believe the best alternative is through a convergence of all U.S. and international accounting standards, whereby all differences are reconsidered and gradually changed to one common platform.

Fair value accounting for timberlands decreases the quality of our financial reporting.

Specifically, we are concerned with *International Accounting Standard ("IAS") No.* 41, *Agriculture* which requires timberlands to be valued at fair market value on a quarterly basis. Determining the fair value of our timberlands, which have harvest cycles ranging from 20 years in the Southeastern U.S. to 80 years in the Northwest, includes numerous estimates of the future selling prices of timber, the discount rate and species growth rates. Other income streams directly related to timberlands, including hunt lease income, thinning revenues and the potential value of carbon credits, add to the complexity of determining fair value. With such an extended timeframe, valuing timberlands will also require extensive judgment on our part. Changes in any of the estimates or judgments can result in material gains or losses recorded to the income statement under IFRS.

We estimate that fair value adjustments in prior years would have exceeded our annual net income as reported under U.S. GAAP by as much as 200%. The volatility of quarterly earnings would be even greater. The change to fair value accounting would weaken our financial reporting by increasing variability to a point that comparison of results to prior years would be overly complex. Our net income in some years would be impacted more so by changes in estimates of fair value than by actual performance or sales levels.

Valuing timberlands at fair value will have a multiplier effect of doubling or even tripling net income in years when demand for timber is high, while potentially creating large losses when demand is low. Historically, demand for timberlands is tied closely to the housing market. As the housing market typically cycles through highs and lows, large fluctuations in the fair value of our timberlands will occur on a regular basis. We also expect our competitors to have similar fair value adjustments; however, comparability among forest products companies will practically diminish as small

50 N. Laura Street • Jacksonville, FL 32202
Telephone (904) 357-9100 • Fax (904) 357-9101

differences in valuation model assumptions can produce large dollar discrepancies in timberland valuations.

For timberlands, we believe that the historical cost approach used under U.S. GAAP provides higher quality financial reporting than fair value accounting under IFRS. Due to the significant estimates and judgments involved and the long-term timeframe, fair value estimates for timberlands are not reliable for accounting purposes.

Costs of implementing IFRS

We are concerned with both the costs to convert to IFRS and the recurring costs to comply with IFRS. As we discussed, IFRS would require us to value our 2.6 million acres of timberlands at fair value, adding significant consulting and modeling costs to produce our financial statements. We believe the benefits realized will not justify these expenditures.

Our recommendation

We believe that a focus on convergence of U.S. and international standards is a better way to achieve the goal of a single set of high-quality financial standards. Convergence allows for U.S. companies to participate more in enhancing standards. We believe that companies are now just becoming knowledgeable of IFRS standards and how they differ from U.S. GAAP. It would be beneficial to further analyze the differences, especially the fair market value aspects of IFRS.

The FASB and the IASB can make significant progress by focusing on the major differences between U.S. GAAP and IFRS over the same five year transition period that the SEC has proposed. The cost of implementing a converged set of standards would be substantially lower than a mandatory conversion to IFRS, and will allow for a smoother transition upon adoption with far fewer differences, or none at all.

/s/ Hans E. Vanden Noort
Hans E.Vanden Noort
Senior Vice President and Chief
Financial Officer