



Positive outlook for ag sector

When farmers do well, your co-operative does well, with good financial performance allowing us to invest in the business so we can offer more products and services and share more of our returns through rebates.

We are on track for a healthy financial result, with steady sales and good progress in our efforts to keep costs down in line with our commitment to being a low-cost supplier. Our good performance comes despite the fire at Kapuni, which resulted in enforced downtime and lost production. Although covered by our insurance, the incident has still had a significant impact.

What's been a great first half for us has also been a very productive period for farmers in many parts of the country. From where I'm sitting in the Waikato/Bay of Plenty, the rain may have put a damper on things for holiday makers, but farmers have been making the most of the unseasonal moisture and pasture

growth to maximise their production, with some opting to "make hay while the sun shines," taking extra feed off their farms now to set them up for the season ahead.

The outlook for agriculture here in New Zealand remains positive, providing a much-needed anchor for the rest of the economy. Political unrest in North Africa is causing disruption of supply of some nutrients, and the European Union debt crisis is overhanging what is otherwise a relatively strong commodity market, but we continue to remain confident about future prospects.

Increasingly the expectation is that the growing demand for food globally will be met by producers who have high rates of both productivity and environmental performance. Your co-operative is investing in enabling our pastoral industries to achieve both, with our Clearview Innovations Programme, worth \$19.5 million over the next seven years. Research already underway is focused on new forms of nitrogen and phosphate fertilisers to reduce nutrient losses, improved biological control of grass grubs and trials of nitrification inhibitors.

This is a significant investment, and represents Ballance's commitment to giving farmers the science-backed smarts, products and advice to increase productivity with the smaller environmental footprint that is increasingly being demanded by our international customers.

David Graham
CHAIRMAN



Research confirms value of DCD nitrification inhibitor

Research results that confirm the value of the nitrification inhibitor dicyandiamide (DCD) in reducing nitrous oxide emissions and nitrate leaching have been welcomed by Ballance Agri-Nutrients' Research & Development Manager, Warwick Catto.

"The results support the conclusions reached through our own independently conducted trials and reinforce the efficacy claims we have been making for DCD in

terms of greenhouse gas reductions, nitrate leaching reductions and pasture response."

The research, run by the Pastoral Greenhouse Gas Consortium, began in 2009 and included trials in the Waikato, Manawatu, Canterbury and South Otago dairy regions.

Early results from the three-year trial showed:

- Nitrous oxide (N₂O) emissions reductions from urine patches at all sites in all years, with an overall average reduction of 50%
- Decreased N leaching from urine patches by around 40% and in grazed pasture by 21%

- DCD application increased winter-spring dry matter production by an average of 3% (range 0-17%), with a statistically significant response in four of the 12 site years.

Mr Catto said nitrification inhibitors would become an increasingly important tool for farmers as more regional councils considered adopting nitrate loss targets and with agriculture still scheduled to come under the Emissions Trading Scheme in 2015.

"This independent research will give farmers the confidence that these products work and are backed by sound science."

Ballance Farm Environment Awards

The Ballance Farm Environment Awards are well underway with regional judging running through to May, ending in the Sustainability Showcase on 23 June.

Ballance has reaffirmed support for the awards, renewing sponsorship through to 2015. We have supported the awards since 1995 and have been the principal sponsor for 10 years.

Chief Executive Larry Bilodeau says it's more important than ever to promote and support sustainable farming practices.

"I am sure all New Zealanders understand and value the economic contribution made by our pastoral industries. But at the same time, there's a growing unease that the environmental cost of this economic contribution is rising.

"The pressure is building and farmers are feeling it. They are looking for advice and practical solutions. These awards have created a growing pool of farmers who demonstrate great environmental leadership and are happy to share their advice and experience."

Meanwhile, the organisation behind the highly successful Ballance Farm Environment Awards has a new name.

The independent trust is now known as The New Zealand Farm Environment Trust (NZFE) to better reflect the Trust's broader role beyond the Awards programme. Its scope includes a number of other industry-good activities that focus on the promotion of sustainable farming.

Trust General Manager David Natzke says it will continue to form partnerships with agribusinesses and industry organisations while developing new strategies for the promotion of environmental sustainability.



Graeme Smith to lead SealesWinslow

Leading animal nutrition provider SealesWinslow has appointed a new Chief Executive from within the Ballance "family".

Graeme Smith, currently General Manager Sales and Marketing for Ballance, takes up his appointment on 1 May. He succeeds Ross Hyland, who will continue as a director of SealesWinslow and also lead growth projects to leverage the company's position as the only national provider of animal nutrition.

Neil Richardson, Chairman of SealesWinslow, said Graeme was selected after an extensive executive search and from what was an outstanding group of candidates.

"Graeme has a wealth of knowledge right across the whole agricultural industry, which will be invaluable.

"He also joins us at a pivotal time in the business, with more and more farmers recognising the strategic value of animal

nutrition to their operations. Farmers are increasingly focused on their animals' complete nutritional needs, from pasture to supplements, rather than simply being reactive with supplementary feeding as a decision or consequence when climate's working against them. We are very well positioned to meet these needs."

Since its establishment in June 2011, following the merger of Seales Ltd in Morrinsville and Winslow Feeds and Nutrition in Ashburton, SealesWinslow has focused on building its national position, growing the merchant channels and establishing the logistics and infrastructure to meet rising demand from farmers. Ballance has a 51% shareholding in the business.



New head of sales for Ballance

Ballance Agri-Nutrients has announced the appointment of Willie Thomson to a new role of General Manager Group Sales and Strategy.

Responsible for the Ballance and Altum brands and customer services, Willie also retains responsibility for strategy development.

Announcing the appointment, Ballance Chief Executive Larry Bilodeau said Mr Thomson's extensive background in the industry and his leadership within Altum made him a natural candidate for the new and expanded role.

"In previous roles Willie has worked closely with farmers and he also has a strong science background. His leadership in these areas means he is well positioned to lead this part of our business, which is increasingly focussed on the scientific credibility of products that will help farmers improve their business."

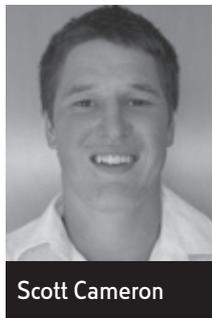
Mr Thomson joined Ballance in 2008 as General Manager of Summit Quinphos (now re-branded Altum) and in 2009 became responsible for leading the group research and development efforts, environment and strategy.

Born and raised on the family farm in South West Scotland, Mr Thomson held various management positions in the United Kingdom fertiliser industry before relocating to New Zealand in 2003.

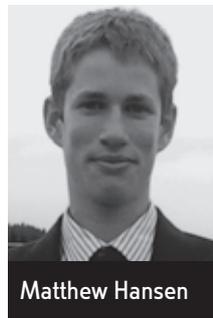




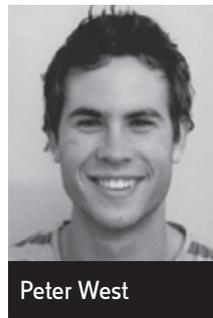
Samuel Anderson



Scott Cameron



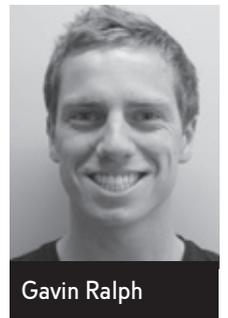
Matthew Hansen



Peter West



Thomas Yule



Gavin Ralph

Scholarships awarded to support primary industry growth

Six scholarships have been awarded by Ballance Agri-Nutrients to students studying towards a degree in New Zealand's vibrant primary and science industries.

Each scholarship - open to immediate family members of Ballance shareholders or company employees - is valued at \$4000 a year for three years.

Ballance Research & Development Manager Warwick Catto says New Zealand is strongly linked to the success of agriculture, which creates a growing need for tertiary-qualified agri-business personnel, from farm management specialists to engineers, to vets.

The scholarship recipients are:

Samuel Anderson, from Riverton, starts a Bachelor of Agricultural Sciences at Lincoln University this year. The former Southland Boys High School student has extensive experience working on the family sheep farm as well as neighbouring dairy and sheep

farms and aims to use the knowledge gained by completing his degree to work in the soil science field.

Scott Cameron is in his third year of a Bachelor of Agri-Sciences from Massey University. From dairy farming stock in Hawera, Scott has worked on the family farm as well as being employed as an assistant research technician at the local DairyNZ research farm during summer holidays.

Matthew Hansen is backing up his practical relief milking and farming experience with a Bachelor of Commerce (Agriculture) from Lincoln University this year. Matthew has a keen interest in farming, and part-owns 30 purebred Suffolk, Suffolk-cross and Romney ewes, and three stud R3 Hereford cows with calves that are registered with the Hereford Association.

Peter West of Te Awamutu is completing an Honours degree examining the vertical distribution of carbon storage under pastoral soils. This follows on from his undergraduate studies in agricultural science at Lincoln University. He hopes to mitigate the potential negative effects that agriculture can have

on our environment, while ensuring the productivity and profitability of farmers remains high.

Thomas Yule is in his second year of a Bachelor of Commerce degree (Agricultural Management) at Lincoln University. From Hastings, Thomas has spent a lot of time working on the family farm during school holidays over the last 10 years. In 2007 he gained a heavy traffic licence and has spent time working for a range of agricultural contractors, including travel to the United States to take part in the annual 2000 mile grain harvest, where he operated a combine harvester for eight months.

Morrinsville's **Gavin Ralph** is in his final year of study towards a Bachelor of Engineering (Honours) at the University of Auckland. His work experience includes relief milking for parents and neighbours during study breaks, as well as a fixed-term position as an Environmental Dairy Liaison Assistant for DairyNZ and the Bay of Plenty Regional Council, which saw him liaising with farmers and collecting and reporting data on effluent systems.

Checks ensure credible advice

Since 2004 we have been voluntarily and proactively auditing our Technical Sales Representatives' fertiliser recommendations, their use of the industry decision support tool Overseer, and the nutrient management plans they created for customers.

Auditing involves checking continuity of information between soil and herbage test trends, nutrient budgets, nutrient management

plans and fertiliser recommendations, as well as comparisons of farms in the same regions to identify nutrient use efficiency opportunities.

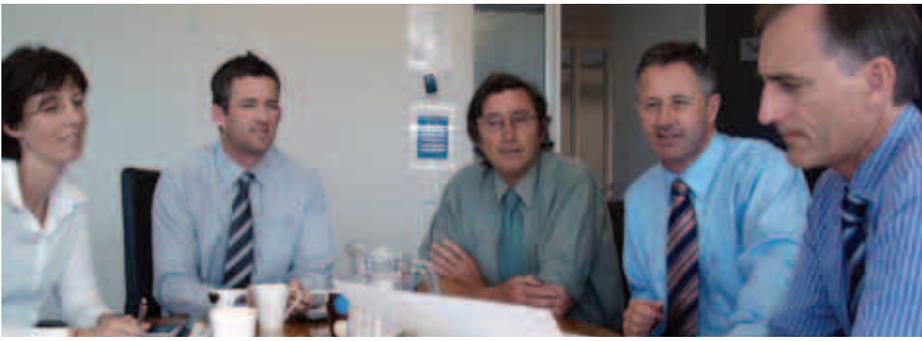
"This process offers a further check by our agro-sciences team to ensure the right amount of nutrients are being applied to New Zealand farms, minimising the risk of any adverse environmental or economic consequences as a result of incorrect nutrient applications," explains Science Extension Manager Aaron Stafford.

The process has been independently reviewed by Quality Consultants of New Zealand to ensure our auditing process is robust.

The auditing process is linked with a comprehensive training programme that

makes use of internal and external training resources, including staff from Crown Research Institutes and universities, as well as independent consultants. The programme is designed to ensure staff are up to date with some of the more practical aspects of farm and soil-pasture system management, which influence fertiliser and/or nutrient management strategies.

Mr Stafford says that in addition to ensuring that we are providing farmers with credible advice, this means our sales teams are being continually up-skilled, ensuring that they are providing the best advice to shareholders to help them farm more profitably and sustainably.



From left: Deborah Hackell (MAF), Aaron Stafford, Phil Journeux (MAF), Willie Thomson and Warwick Catto

Clearview Innovations research underway

Ballance's Clearview Innovations research and product development initiative is up and running with \$3 million in research contracts signed less than two months after the programme secured \$9.75 million in support from the Government's Primary Growth Partnership.

The seven-year programme, worth \$19.5 million, has the goal of enabling the pastoral sector to lift profitable production with reduced environmental impacts. Research already underway is focused on new forms of nitrogen and phosphate fertilisers to reduce nutrient losses, improved biological control of grass grubs and trials of nitrification inhibitors.

"The feedback we've had from the farming community is that this programme is right on the money because everyone wants to produce more, but with fewer environmental impacts," says Ballance's Research & Development Manager Warwick Catto.

He says Ballance moved quickly because many field trials need to take place in

autumn and a slow start would mean a year-long wait for them. Nitrification inhibitors will be field-trialled in the Waikato and Lower South Island. Also being tested are improved biological controls for grass grubs that destroy pasture, with the economic cost to the pastoral sector estimated at some \$90 million. The trials are testing an easier-to-use formulation of Ballance's Bioshield, which combines zeolite with a soil bacterium *Serratia entomophila*.

Ballance's research programme is focused on two key areas - better nutrient products and biological pest controls, and education programmes to arm farmers with the technologies developed through the programme. Mr Catto says the research will not only develop more sustainable products, but should be sustainable in itself.

"As products come to market and generate new revenue they will also generate new funding for further research."

The programme is guided by a Steering Group, with Mr Catto as chair. The group includes MAF representatives Phil Journeux and Deborah Hackell, Willie Thomson, Ballance General Manager of Agro-Sciences, and Aaron Stafford, Ballance Science Extension Manager.

Online services expand at Ballance

Our online customers can now access key farm nutrient information following recent enhancements to the online ordering system.

While placing orders for product is the most popular feature of the site, customers are also able to maintain their personal and farm details with Ballance through the service and they have access to a range of other farm information. Shareholding data from 2005 - including share value, rebate and dividend advice - is now available to be viewed online.

Farmers can also access their purchasing history dating back to 2005, along with nutrient analysis which shows how much nitrogen, phosphate and potassium was purchased.

Registered online users are able to grant secure access for other people to selected portions of their site within the service.

Ballance Sales and Marketing General Manager Graeme Smith says improved access increases the flexibility of the online service for customers.

"The original concept was to provide our customers with an alternative ordering system, especially for common, high-volume products like urea. Our online service means customers can place orders when it suits them, rather than having to work around office hours," Mr Smith says.

"Now our customers can grant access to farm managers or other staff to place orders if they've given them that authority. They also might want to grant access for their accountant or farm advisor to their shareholding, rebate and dividend information."

If you would like to take advantage of online ordering, register now by calling 0800 222 090.

Visit to top Kiwi farm impresses Swedish delegation

Members of a Swedish delegation will go home with positive views of New Zealand agriculture after visiting an award-winning farm in the Waikato.

Delegates from the Swedish Parliamentary Committee on Environment and Agriculture were hosted by the New Zealand Farm Environment (NZFE) Trust and Ballance Chief Executive Larry Bilodeau on Ballance Director Gray Baldwin and his wife Marilyn's organic dairy farm near Putaruru.

The Baldwins and their sharemilkers, Hamish and Jane Putt, were Supreme winners of the 2009 Waikato Ballance Farm Environment Awards.

The Trust was asked by MAF to host the delegation, which was in New Zealand to study agricultural policy and ecological production.

During the tour, Gray Baldwin and Hamish Putt discussed a wide range of topics, including pasture management, the Emission Trading Scheme, nutrient budgeting, tree planting, water protection and effluent disposal.

Gray Baldwin told the visitors his farming philosophy was to get "high-quality and profitable milk out of one end of the system, and clean water out the other".

"We have learned that what is good for the environment is great for our business."



SOA product variability explained

Due to a breakdown at our normal sulphate of ammonia supplier's plant last year we were forced to find substitute product at short notice. This product, while still meeting nutrient specifications, turned out to be unsatisfactory in terms of granule quality.

We have been screening the product we still have on hand to ensure it is consistent for spreader application.

Further shipments for 2012 will be from sources where quality is consistent with regular granules and we have no intention of purchasing stock from last year's problematic sources. Purchasing will happen early to ensure we are well positioned in late winter and early spring.



New Ballance service centre improves East Coast capability

Ballance is reinforcing its commitment to the East Coast with a new purpose-built \$3.5 million service centre in Gisborne.

Customers of Ballance subsidiary Altum will also benefit, with their orders to be processed and despatched from the new purpose-built site due to open on 1 July.

Three key features of the new service centre are improved access, faster turnaround and the capability to store a greater range of bulk products on site. Importantly, the service centre will offer improved mixing and blending services to the region.

The design has been carefully developed by Ballance to maximise ease of use and can easily be used for new builds in other regions.

Ballance Supply Chain Development Manager Neil Miller said the move from Crawford Road to Aerodrome Road just

outside Gisborne puts the service centre closer to its customers and is easier to access.

"Customers, spreaders and the carriers will have better access to the service centre, which will help improve the experience for everyone," says Mr Miller.

Importantly, the service centre will offer improved mixing and blending services to the region, with a continuous despatch rate of 2½ to 3 tonnes of fertiliser per minute - up to three times faster than the existing plant.

"We will be able to blend and screen twice, which means a more homogenous product for our customers, ensuring an even application of all nutrients," says Mr Miller.

"We're committed to the market on the East Coast and our new service centre will improve the service for everyone who comes through the gate."



External expertise brings strength to Board



John Harvey



Kim Ellis

Two independent experts joined the Ballance Board of Directors in February. John Harvey has replaced Appointed Director Tony McNeil, and Kim Ellis is offering advisory services to the Board in an independent capacity.

At the annual meeting last year Ballance shareholders agreed to reduce the number of elected directors from eight to six and increase the number of appointed directors from two to three. Farmers continue to have a majority voice when making decisions about our co-operative and this move strengthens

the benefit of external directors, who bring different commercial skills and experiences to the Board table. The constitution provides for a transition period through to 2013 to put the changes into place.

John Harvey

Mr Harvey joins Ballance as an Appointed Director, and is a professional Director with a background in accounting and professional services. He has more than 35 years professional experience, including 23 years as a partner of PricewaterhouseCoopers, where he also held a number of leadership and governance roles.

Mr Harvey has extensive experience in financial reporting, governance, information systems and processes, business evaluation, acquisition and merger and takeover reviews. He holds a Bachelor of Commerce degree from the University of Canterbury. A member of the Institute of Directors of New Zealand, he is currently a director of APN News and Media, DNZ Property Fund, Heartland Building Society, Kathmandu Holdings, Port Otago and New Zealand Opera.

Kim Ellis

Mr Ellis joins Ballance as an Advisor to the Board and has significant professional experience. He is best known for his 13 years as chief executive at one of New Zealand's most successful listed companies, Waste Management New Zealand Limited, culminating in the company's sale in 2006. His earlier chief executive appointments, dating back to 1978, covered a number of market sectors including health, manufacturing, logistics, property, agriculture and fashion.

Well practised at driving competitive positioning and outcomes within duopoly markets, Mr Ellis also has a substantial amount of experience relating to mergers and acquisitions.

A professional director, Mr Ellis' current appointments include Envirowaste Services, Freightways, New Zealand Social Infrastructure Fund, Seeka Kiwifruit, Tasman Tanning, Jucy Group and Macaulay Metals. He holds a Bachelor of Engineering (Chemical) with first class honours from Canterbury University, and a Bachelor of Commerce and Administration (Economics) with first class honours from Victoria University.

Placing an order with Ballance

We recognise that all of our customers are unique, and have their own preferences for making orders, so we offer you a choice of convenient ways to place your fertiliser order with us:

