

SHAREHOLDER UPDATE

APRIL 2015

OVER THE GATE

GETTING BACK IN THE GREEN

Our co-operative achieved a creditable rise in performance rankings at the end of last year. Based on our financial performance, we moved up to 37th place in Deloitte's Top 200 listing, up from 44th place in 2013.



Our rise in the ranks was on the back of record revenue and sales volumes in the last financial year, performance which meant we could also return a very good rebate and dividend to our shareholders. Our result reflected the very good levels of confidence in the agricultural sector last year and the excellent support we receive from shareholders and customers.

This year confidence is not running so high with good spring growing conditions giving away to a very dry summer in most parts of the country. Drought was finally declared in Canterbury, Central and North Otago, and Marlborough in mid February.

We are conscious that many shareholders will have been forced to put their drought strategies to the test over the dry summer. It's a hard call deciding to cut losses and sell stock, or to dry off herds rather than buy in supplementary feed. I guess we can take some comfort in knowing we have the experience of other dry years to call on. Thankfully, we have turned the

corner and welcome rain has brought the green back into the landscape in most regions – although in some areas it was still a little too late for dairy farmers. Others, of course, had to contend with the tail end of the cyclone which hit Vanuatu, so it has been a pretty challenging time all round.

As we come into autumn, management plans will start shifting from managing drought to gearing up for the winter,

especially in terms of building pasture cover.

Our team can help you with good science-based advice and we are continuing to support farmers by holding the prices for most major nutrients including urea, superphosphate, potash and DAP following our March price review.

DAVID PEACOCKE
Chairman



The Ballance site at regional field days in Northland, Central Districts and Kirwee proved to be a popular spot for young and old, with fertiliser, animal nutrition and farm technology all under one roof.

SPREADING THE GOOD WORD

In recent weeks I met some of the entrepreneurial farmers competing in the Ballance Farm Environment Awards. What an impressive bunch.

We have a food industry which celebrates all things local, artisanal and free-range but the average Kiwi's perception of farming is often shaped by the mainstream media. More often than not, the coverage is negative, highlighting an example of poor farming practice, when that practice is the exception rather than the rule.

It is natural that people in towns and cities want to see food produced with minimal impact. It's a view shared by farmers who place a massive value place on the land and looking after the farms, crops and animals which support their livelihood. I am yet to meet a farmer who doesn't want to pass on a farm in better shape than when they found it.

Our Ballance Farm Environment Award farmers are role models for farming sustainability. We need to make a stronger connection between these role models, what is on the plate and how it can be produced sustainably as well as profitably. The job can't be left to Country Calendar alone!

This is a challenge for all in the agricultural sector. We need to reinforce the message that New Zealand would be economically bankrupt without agriculture, and that the majority of our farmers are not going to put that financial security at risk through unsustainable farming practices. And we need to encourage young New Zealanders to see the land as one of incredible career opportunities, from farming to food science.

MARK WYNNE
CEO

GROWING SUPER SCHOLARSHIPS

Ballance is continuing to support the future of agriculture, awarding seven tertiary scholarships this year to students aiming for careers in the primary sector – including one keen to join our Ballance field team.

The scholarships, worth \$60,000 in total, are open to families of Ballance shareholders. Every year the calibre of students applying gets more impressive and Science Manager Warwick Catto says this year is no exception.

“This year’s applicants demonstrated a true passion for New Zealand’s primary industries sector and the career opportunities it brings. Students recognise that we’re an exporting nation so they are combining disciplines such as marketing, engineering, agriculture and international business.

“While many have an ambition to take over the family farm they know they

need to gain a tertiary qualification. The primary industries sector has an extensive range of opportunities to offer young graduates. I look forward to seeing where they take the sector in the future,” he said.

Four scholarships, each valued at \$4000 for up to three years, were awarded to Timothy Craig from Oamaru, Angela Clarke from Te Awamutu, James Robertson from Ohaupo, Matthew Poole from Hawera.

Three one-year scholarships, valued at \$4000 each, were awarded to Alex Menzies from Omakau, Paddy Ford from Patea and Chris Lowe from Pukekohe.

Ballance received 86 applications for the 2015 scholarship programme, up 11 from 75 last year. Congratulations to all our students and best of luck in your studies.

THREE YEAR SCHOLARSHIPS



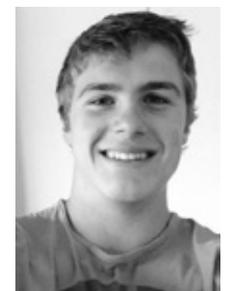
Timothy Craig



Angela Clarke



James Robertson



Matthew Poole

TIMOTHY CRAIG

Timothy Craig from Oamaru, is studying a Bachelor of Agricultural Science at Lincoln University.

Timothy has developed his leadership skills as Head Boy of Waitaki Boys High School, while gaining practical experience helping out on his family's commercial poultry and cropping farms. His goal is to work in agri-business.

"I want to assist New Zealand companies in producing more food for the world's growing population. I'm interested in horticulture and business aspects of our family farm and have an end goal of joining the family business."

ANGELA CLARKE

Angela Clarke from Te Awamutu is studying a Bachelor of Agricultural Science at Lincoln University.

Angela gained her passion for

agriculture growing up on the family dairy farm and was inspired to look at agri-science careers following a visit by a Ballance fertiliser representative.

"I have an interest in sports nutrition and a passion for animals so I want to combine these and work in animal nutrition and food quality to improve health and performance of livestock."

JAMES ROBERTSON

James Robertson from Ohaupo, near Hamilton, is studying a Bachelor of AgriCommerce at Massey University. During his final year at Hamilton Boys' High School, James completed an Economics paper through University of Waikato.

"I see my future in the agriculture industry and would like to become a Ballance field representative."

James grew up on a dairy farm and took his passion for farming to Hamilton Boys High School where he established the TeenAg Society Club. James has won young farming competitions including the TeenAg National Grand Final the TeenAg National Stock Judging Event.

MATTHEW POOLE

Matthew Poole from Hawera is in his second year of a Bachelor of Engineering, with honours, at the University of Canterbury.

Matthew developed an interest in the engineering side of farm dairies, growing up on a dairy farm in Hawera. As an active member of New Zealand Young Farmers Matthew wants to merge his interest in farming with research and development to bring new products and solutions to the industry.

"My goal is to make dairy farming a more desirable career for my generation in order to sustain New Zealand's globally successful dairy industry."

ONE YEAR SCHOLARSHIPS

ALEX MENZIES

Alex Menzies, from Omakau in Central Otago is studying a Bachelor of Science majoring in Land, Water and Environment at Lincoln University.



"Once I complete my degree I want to work with companies to market New Zealand agricultural products to international markets."

Alex has a keen interest in hockey and has played at representative level for a number of years including having captained and vice-captained teams including U15's, U18's and Columba College 1st XI.

PADDY FORD

Paddy Ford, from Patea, South Taranaki is studying a Bachelor of Agricultural Commerce.



Born and raised on a dairy farm, Paddy has spent his holidays working at home, relief milking for neighbouring farmers and on his grandparent's sheep and beef farm.

"I wish to work in the agriculture sector to help improve the use of fertilisers on dairy farms to become more sustainably whilst still being economical. I have a passion for this due to the increase in food production needed in the near future."

Paddy is a keen sports person and rugby player.

CHRIS LOWE

Chris Lowe, from Pukekohe, is studying a bachelor of AgriScience majoring in Horticulture at Massey University.



Chris wants to work in the viticulture sector and has a special interest in glass house technology. Chris' passion comes from helping out on the family's commercial onion farm.

"I see the potential for more graduates to become involved in science in New Zealand and how we can look to become more efficient, productive and environmentally sustainable as we look to feed a growing global population."

GEARING UP FOR GOCLEAR DEMAND

Demand for our diesel exhaust fluid GoClear continues to rise, and Ballance has invested \$2 million in storage capacity to ensure a continuous supply.

Two 225,000 litre storage tanks at our production site at Kapuni, Taranaki, have been installed, lifting total storage on site to 600,000 litres.

Dr Terry Smith, Process and Chemicals Manager at Ballance, says the investment is important to guarantee supply in a growing market.

“Nearly all diesel-powered trucks and buses imported into New Zealand now have to meet the international Euro V exhaust emission standards. Over the past couple of years as exhaust reduction solutions have been tried and tested we’ve seen a clear jump in use of selective catalytic reduction technology to meet the oxides of nitrogen standards – it’s proving to be a successful and popular option.

“Our new storage at our production site, coupled with the storage at our Timaru hub and product in the network at any given time means we have several months’ worth of contingency supply should we need it.”

GoClear has been manufactured by Ballance’s Kapuni urea plant in Taranaki since 2009, replacing the need to use imported product.



About GoClear

GoClear, made by Ballance Agri-Nutrients and distributed by Orica, is an additive for use in the Selective Catalytic Reduction (SCR) process incorporated into modern heavy duty diesel engines. Major engine manufacturers have chosen SCR technology, which uses an exhaust system additive that reduces NOx emissions from diesel engines, breaking the nitrogen oxide emissions down into harmless components of water vapour and nitrogen gas.

PRICE STABILITY SUPPORTS PLANNING

Prices for most major nutrients including urea, superphosphate, potash and DAP remained unchanged following our latest price review on 2 March, with just one rise of \$30 per tonne for sulphate of ammonia to \$569 per tonne.

RPR is now \$50 less per tonne at \$295.

Acting General Manager Sales Andrew Sanders said the continuing devaluation of the NZD against the USD has put upwards pressure on pricing.

“However this has been offset by stable international stock holdings for nitrogen and phosphate products, leading to more settled pricing for these nutrients. In addition, China has removed tariff windows on fertiliser products, selling year round with a smaller tax on all products, which has had a smoothing and stabilising effect

on sales and pricing for urea.

“As we move through into spring we anticipate pricing pressure to build in line with global seasonal demand trends and the weakening NZD.

“We hope this stability through autumn allows you to plan ahead and help return pastures to productivity following recent dry spells. Applying one of our unique nitrogen products such as Sustain or PhasedN when there is rain on the horizon will help set your farm up to maximise the growth opportunities this season.

“Nitrogen boosted pasture will be the cheapest form of supplementary feed you can consistently produce on farm. As always, our local Field Consultants are here to give you advice on the best plan for your farm.”

Visit www.ballance.co.nz for a full price list.



FARMING CLEAN STREAMS

With farmers under more pressure around environmental regulations, a specialist team covering Canterbury Horizons, Otago and Southland regions has been set up to help.

Alastair Taylor, Business Extension Services Manager says the team provides a direct link between farmers and regional councils to take the hassle out of environmental compliance.

"We can help farmers navigate the regulations around effluent management, nutrient use and environmental performance. By working alongside them we can ensure their nutrient management practices provide excellent pasture

growth results and comply with regional plans."

Alistair says it is important for the team to bring local experience and knowledge to help farmers comply with their local land and water plans.

Among other services, it provides nutrient budgets for resource consents, compliance and sale and purchase agreements. The team can be contacted on nutrient.budget@ballance.co.nz

NEW WINGS FOR SUPER AIR

In January Super Air purchased its third aircraft as it moves to improve productivity on the same fleet size.

Super Air's operational fleet will include five high-productive units (Cresco's and Air Tractor) and five Fletcher Turbine 1.6 tonne specification units, plus Fletcher 400's as needed seasonally.

The new Cresco ZK-LTP will be operational by April and will support the Waikato and Coromandel.



SAFETY FIRST FOR OUR FIELD TEAM

Riding pillion on quad bikes is a known hazard, with potential to cause serious harm.

Ballance Agri-Nutrients has an obligation to protect our people from harm and that includes our Sales Team.

As part of our obligations we have revised our policy of quad bike safety.

From 31 March 2015 our Sales Team members can no longer double up on a single seat quad bike, or ride as a pillion passenger on bikes not designed for this purpose.

Our new policy is in keeping with WorkSafe guidelines and manufacturers specifications and other co-operatives in the industry are doing the same.

Carrying passengers increases the bike's instability and can restrict the rider from using active riding techniques. For these reasons, manufacturers prohibit the carriage of passengers on bikes that are designed for one person, and this is clearly marked on the bike with stickers.

Our Sales Team will be talking with customers about other options including using a farm vehicle which allows for passengers, travelling the farm alone on a farm quad bike, or walking.

On average, five people are killed and 160 seriously injured on New Zealand farms each year in work-related quad bike incidents. We don't want our people, or our customers, to be part of these statistics.

ANDREW SANDERS
Acting GM Sales

From 13 July 2015
Ballance Agri-Nutrients is

SWITCHING TO SINGLE-TRIP BAGS

Why are we changing?



SAFETY

Leaning underneath reusable multi-trip one tonne or 500 kg bags to untie the cord is a significant hazard, and moving away from use of these bags will make it safer for anyone handling or using the bags.



SECURITY

Single-trip bags will eliminate any cross contamination of product and ensure robust biosecurity.



SUSTAINABILITY

Our free recycling service means that you can bring your bags in to your nearest Ballance service centre and we will recycle them on your behalf.

The new price of \$20 covers the cost of the bag, filling and handling.

Dispensers are available to purchase from Ballance at a cost of \$75 for farmers who still have a requirement to partially empty bags. These can be used on an ongoing basis.

Customers may notice a mixture of the old multi-trip bags and single-trip bags while we use up existing stocks of old bags. All new bags will be single-trip going forward, will not be refundable, and will be charged at the new price of \$20. Prices exclude GST.

“Only once you have an accurate picture of the numbers can you start to influence them.”



Waikato dairy farmer Adrienne Wilcock, who attended a local event in Morrinsville, said that one of the key learnings for her was the importance of recording nutrients coming and going from the farm and recording them accurately.

“When we think nutrients it’s easy just to assume fertiliser inputs, but this also includes recording the amount of feed brought in as well,” said Adrienne.

WORKSHOPS HELP TURN NITROGEN REPORTS INTO PRACTICAL ACTIONS

Ballance has been helping farmers make sense of nitrogen reports, with a series of workshops in the North and South Island attracting a good response.

We joined forces with the Dairy Women’s Network, DairyNZ, Fonterra, Miraka, Synlait and Tatua to help farmers come to grips with their farm nitrogen reports and how to use them to support N-loss improvements.

Ian Tarbotton, of Ballance’s Science Extension Team, says the roadshow helped farmers turn reports into action.

“We wanted to show farmers what factors influence the numbers in nitrogen reports, and leave them with practical ways to change their numbers for the better.”

“Farm owners discovered how they can influence farm economics by minimising nitrogen loss and

improving nitrogen-use efficiency. For farm managers, the workshops helped them identify the five factors that contribute to nitrogen loss, and which ones they can influence. There are some common practices which impact the farm and the environment and where farm workers can also make a difference.”

Ian anticipates that nitrogen reports will become an annual feature of farm management given that most dairy companies signed up to collect and model nitrogen loss and nitrogen conversion efficiency under the Sustainable Dairyng; Water Accord.

Farmers who missed the February and March workshops can still call on their Ballance advisor for help.

WESTERN SAHARA PHOSPHATE ROCK UPDATE

Last month the Western Sahara Resource Watch released its report on the trade of phosphate rock with Western Sahara.

The Fertiliser Association of New Zealand (FANZ) and Ballance is aware of the territorial dispute in the non-self-governing territory of Western Sahara and maintains an ongoing process of due diligence on developments in the region and their implications for fertiliser supply.

FANZ member companies including ourselves import a portion of the phosphate rock used in New Zealand for the manufacture of fertilisers from OCP Group, a Moroccan state-owned company which sources some of its rock phosphate from Western Sahara.

FANZ has received expert independent legal advice that indicates there are no national or international legal or

regulatory barriers to the import of rock phosphate into New Zealand from Western Sahara.

We have also received advice that OCP's operations in Western Sahara meet the requirements of international law, in particular the relevant Resolutions of the Security Council and the General Assembly of the United Nations that the trade in resources is done in a manner consistent with the needs, interests and wishes of the local people.

The United Nations will begin a review of the Western Sahara situation next month. We support this initiative as it is very difficult for companies like ours to assess such a complex situation

alone. The United Nations is the ideal agency to make judgements on situations like this.

In the interim we will continue to use rock phosphate imported from Western Sahara. Phosphorus fertilisers are vital to New Zealand's agricultural sector and they represent an important source of revenue for Western Sahara. Neither of these benefits should be discarded without thorough investigation.

We will continue to liaise with Ministry of Foreign Affairs and Trade and, through them, with the progress of the United Nations review.

WARWICK CATTO JOINS FARM ENVIRONMENT TRUST

Ballance Science Strategy Manager Warwick is one of two new appointees to the New Zealand Farm Environment (NZFE) Trust. The second is former Federated Farmers President, Bruce Willis.

The Trust manages the Ballance Farm Environment Awards, one of our major sponsorships. Warwick is no stranger to the awards, making him a logical candidate for the Trust's governance.

He won the Young Farmer of the Year competition in 1995 and chaired the competition's organising committee from 1996 to 2000. He has been on the BFEA National Winner judging panel since the National Winner programme was introduced in 2011.

As a trustee for NZFE and a representative of Ballance Agri-Nutrients, Warwick says one of his goals will be to help "protect the core values of the competition while also ensuring it delivers value to the sponsors".

Trust Chairman Simon Saunders says Warwick's wealth of scientific knowledge and his vast experience in science extension work make him a valuable addition to the NZFE Board.



IRRIGATION GAINS REFLECTED IN UPDATED OVERSEER

Irrigating farmers and growers will soon have greater confidence in the outputs OVERSEER® Nutrient budgets generates with the release of the nutrient budget model's new comprehensive irrigation module.

From late April, OVERSEER 6.2 will improve the ability to model a range of irrigation systems and practices, allowing it to better calculate N-loss for irrigated properties.

OVERSEER 6.2 will focus on a wide range of irrigation systems, from centre and linear pivots, to long laterals, spray lines, solid set, drip-micro and border dyke. It will also account for how they are used by accounting for how much water goes on and when.

IrrigationNZ CEO Andrew Curtis says irrigators will benefit from the new version, but need to plan ahead to ensure they are collecting the right information.

"Irrigating farmers and growers need to start thinking about their data inputs and familiarising themselves with what is required," he says.

But Mr Curtis sounds a warning about a probable change in N-loss results. "With more accurate information being inputted, some irrigators will see increased N-loss estimates for their properties. We know this may cause alarm but we're working with regional councils to ensure it doesn't become problematic for compliance. It is important we move to a more transparent and robust system as irrigators will benefit from having a more accurate OVERSEER assessment."

A roadshow commenced mid-March to raise awareness and support uptake of the new irrigation module, and to get feedback from users ahead of the online release of OVERSEER 6.2.



For shareholder information
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For customer information
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www.ballance.co.nz

 **Ballance** agri-nutrients