

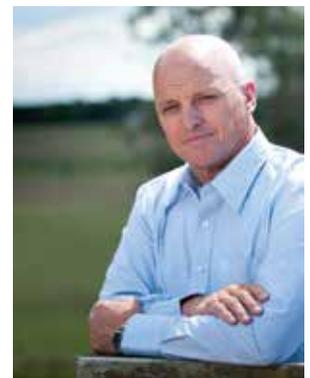
# SHAREHOLDER UPDATE

MAY 2017

## OVER THE FENCE

# THE OPPORTUNITY IN WATER

**I see a genuine opportunity in the New Zealand's Fresh Waters report from the PM's Chief Science Advisor, Sir Peter Gluckman. As farmers, we know only too well that there are no "quick fixes" when it comes to the complex and multi-dimensional issues around the long-term health of our waterways.**



But we also know that if we are serious about maintaining the economic engine that has powered our country for more than a century, we need to evolve our businesses so that we are creating something better for the next generation.

In releasing this state-of-the-nation report, Professor Gluckman pointed to the tangible progress seen in the Taupo and Hurunui catchments – and the potential to adapt New Zealand farming systems to ensure they are both sustainable and viable into the future. I've certainly had a sense of that vision recently, having seen some magnificent examples of progressive thinking highlighted through the Ballance Farm Environment Awards and the Ahuwhenua Trophy, as well as seeing first-hand the examples of sustainable land-use showcased at the Mount Linton field day.

These awards recognise best practice and, as with field days, are valuable opportunities for all of us to learn and apply changes on our own farms.

This is as much about opportunity as it is about challenge. We simply cannot stand still when we know that many of the issues of today are the result of land and water-use practices over previous decades.

The opportunity is in continuing the progress that has already been made – the extensive fencing and riparian

planting, and working with Ballance advisors to accurately target nutrient inputs to plant uptake requirements.

Even as we are changing our management practices and achieving significantly better outcomes, there is a growing national conversation about water quality. We need to continue to have a strong voice and focus on collaborative and workable solutions.

That's why Ballance is working on your behalf and with the Fertiliser Association of New Zealand to advocate and influence regional planning across New Zealand, such as having a say on the Waikato Healthy Rivers/Wai Ora plan.

All of us want to be part of a healthy, sustainable sector, which is why Ballance is also investing in research and working with MPI and AgResearch to develop OVERSEER® as well as our own patented tools like MitAgator.

Every day in our regions and across the farming sectors, we see how our customers and shareholders are making good on the opportunity in front of us.

Together, we are building a stronger future. That's something to celebrate.

**DAVID PEACOCKE**  
Chairman

# MEETING THE SUSTAINABILITY CHALLENGE

Speaking at this year's Ballance Farm Environment Awards our Chief Executive, Mark Wynne, said one of the most important changes in New Zealand agriculture is the "huge shift in mindset from farming to sustainable food production".

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"We've moved our focus from thinking about what Grandad would have done to anticipating what our great grandchildren would expect, and the economic viability of the farm for the next generation."

Farming is facing an unprecedented wave of environmental and sustainability challenges, but history shows that Kiwi farmers have what it takes to innovate, adapt and thrive in changing climates.

The 2016 National Winners of the Ballance Farm Environment Awards, Richard and Dianne Kidd, (featured in this Shareholder Update) typify the new face of farming – focused on consumers, who want to know more about the quality of their food and where it comes from.

"We should be optimistic about the industry's future and Kiwi farmers' ability to adapt. Farm management practices today are light years away from those in the 1950s and 60s, and reflect a huge effort to be more sustainable – from better genetics through to vastly improved environmental practices."

He says there's a strong connection between environmental best practice and higher-performing profit farming, with an integrated sustainability focus creating improvements across the entire farm system.

"Adherence to best practice means these farmers constantly monitor, check and adjust to optimise their performance – and because they measure, they know where to flex in times of change. Precision agriculture is the way of the future, and it's proving a useful mindset to help get every bit of value out of your farm inputs and reduce your environmental footprint."

The increasing worldwide demand for high-quality protein, combined with the global appetite for food traceability to environmentally friendly farms, has created a clear opportunity for New Zealand farmers and our global food-producing brand.

"Our community, and consumers, are demanding environmental change, but they're also willing to pay a premium for that peace of mind when it comes to their food."



## NOTICE PURSUANT TO CLAUSE 30 OF SCHEDULE 4 OF THE FINANCIAL MARKETS CONDUCT ACT 2013

**Ballance Agri-Nutrients Limited wishes to notify you pursuant to clause 30 of Schedule 4 of the Financial Markets Conduct Act 2013 ("FMC Act") that the company transitioned to the FMC Act on 1 December 2016 after the repeal of the Securities Act 1978.**

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The FMC Act sets out the requirements for offers of financial products made by the company, including provisions for financial reporting in relation to those financial products. Accordingly, from 1 December 2016, the requirements of the FMC Act apply to Ballance Agri-Nutrients Limited, including its continued obligation to its

shareholders to prepare audited financial statements and maintain its financial product register.

If you have any questions regarding the transition to the FMC Act, please send them to the company's registered address at 161 Hewletts Road, Mount Maunganui 3116, New Zealand.

# PRICING DROPPED ON KEY AUTUMN INPUTS

**Ballance has dropped the price on its premium nitrogen product, PhaSedN, to help make a key Autumn nitrogen product available at the best-possible price. While urea prices have been firming, we took a decision earlier in the season to hold PhaSedN.**

With PhaSedN becoming the nitrogen source of choice, the \$11 per tonne cut to current pricing (effective 24 April 2017) means farmers will be able to benefit with applications over the coming peak demand months. The granulated combination of elemental sulphur, SustaiN and lime is ideal to give an end-of-season lift on dairy farms and set pastures up for spring.

We are also continuing to hold pricing across the rest of our product range.

As part of our support package for Edgecumbe and other areas of the Eastern Region affected by flooding, we are offering SOA (sulphate of ammonia) at a special discounted rate of \$350 per tonne exclusively for locally affected farmers. The sulphate sulphur and nitrogen in this product being ideally-suited to generate a rapid response in pasture following heavy rainfall and flooding. Super Air is also offering a discounted rate for flying time.



Local farmers have welcomed the early contact about flood recovery decision support tools, and Ballance's Nutrient Specialists are now working directly with farmers – to discuss the state of pastures and soil along with the best approach to recovering productivity.

Farmers needing advice should contact their local Nutrient Specialist or call our Customer Service team on 0800 222 090.

Ballance has contributed \$10,000 to the Edgecumbe & EBOP Mayoral Flood Appeal, and our people have been directly involved on the ground in the town to help with the clean-up and recovery.

## WORKING IT IN THE WAIKATO

**Three of our Waikato service centres are undergoing upgrades to improve service, speed, safety and wait times, and allow them to cater for a wider range of vehicle sizes.**

Our dispatch plant at our Whakamaru Service Centre is being replaced and we are making a major design change to our dispatch facility at Te Awamutu. Both projects are well underway and are expected to be completed in the next month.

In Te Kuiti we have started work on some huge operational improvements to the whole site including mechanical and operational plant improvements and extending our storage. This should be completed in time for spring.



# ASK THE KIDDS

**Richard and Dianne Kidd, National Winners of the 2016 Ballance Farm Environment Awards, own a 376ha sheep, beef and forestry unit, Whenuanui Farm, on the edge of Auckland City. They share what makes their farming operation so special.**



## WHERE DO YOU SEE THE FUTURE OF FARMING?

I see a bright, positive and secure future for food producers within New Zealand and abroad. People will always need to eat and the rising awareness in the quality of nutrition bodes well. We should forget the word farmer and call ourselves food producers. We produce quality, safe food for our consumers in New Zealand and internationally. The underlying challenge is to reflect this in the price.

Like every business we have to adapt and change to meet the needs and demands of our consumer market. Increasingly, meeting the market means higher levels of transparency and traceability and telling our food production story.

Sustainability is a big part of this, both operational and environmental, and is the responsibility of every business in this sector - not just the food producers.

Over the last 15 years, the Ballance Farm Environment Awards has recognised several hundred successful food producers across the horticultural and agricultural sectors and outstanding winners from almost every region in this country. Unfortunately, the good work being done fails to achieve both the level of recognition and financial reward that it deserves.

Based on our experience in the red meat sector, our industry's next challenge is to connect with those consumers. We have delegated this responsibility for too long and I think it needs to be our industry's key focus moving forward.

It's vital we celebrate our products through highlighting their high quality attributes, as well as the sustainable landscapes from which they originate. We need to demonstrate the added value of New Zealand agricultural products to the increasingly discerning consumers of the 21st century, so we can command the best possible returns for our efforts

1. Celebrate a national lamb day in the early part of the spring lamb season (1 November – 31 March). The annual Bluff oyster season is a great example.
2. Do this regionally, recognising the diversity of the rural landscapes we produce the lamb from. The wine industry excels at this.
3. Promote the very special tenderness and qualities of fresh spring lamb. It is a "pink meat" and should be promoted and sold in relevant portion sizes that cater for taste and cooking times of today's consumers.

**Dianne Kidd**

## WHAT IS YOUR PHILOSOPHY/APPROACH TO WATER QUALITY?

Ever since I began farming nearly 40 years ago, I have aimed to keep stock out of ponds, dams and streams on our farm. Invariably they got stuck in them, which resulted in losses or having to pull them out – on both counts a distressing result.

As well as seeing the immediate benefits of safer stock, there was the added bonus of better quality water - free of sediment with no N or P being released directly into the water, along with plants to help keep the water clean. This was our way of improving the water quality that fed directly into the larger Kaipara Harbour catchment.

It also means our on-farm water reticulation is of a high quality, which benefits the animals that source their water from troughs in every paddock.

Without having a formal Land and Environment Plan, we adhere to the following:

- Whereas previously paddocks would be worked up conventionally prior to sowing pasture crops, they are now generally direct drilled to maintain soil structure and negate the chances of sediment runoff in heavy rain.
- With a slightly increased use of nitrogenous fertilisers due to more cropping, a fertiliser budget is prepared in consultation with our Ballance field representative to ensure we are within accepted limits to prevent N getting into the water ways.
- Gullies and wetland areas of limited value grazing have been fenced, regeneration of native species has occurred, and this too results in less runoff into the waterways.

High quality water is a key component of farming and environmental sustainability, and as such it ranks as the most important factor in our farming operation.

**Richard Kidd**



# SCHOLARSHIPS SET TO SECURE A BRIGHT FUTURE

**Ballance has awarded a total of \$54,000 in tertiary study scholarships to six talented students who are committed to the future success of our primary industries sector.**

For the first time scholarship applications were open to all New Zealand secondary school students this year, including the families of Ballance shareholders, in a bid to encourage more urban students to recognise the diverse professions and opportunities in agribusiness. We received more than 40 applications.

This year's scholarships bring the total awarded by the co-operative since 2002 to 83.

## OUR THREE YEAR SCHOLARSHIPS RECIPIENTS ARE: -



**Jack Arthurs-Schoppe** from Pukekohe is studying a Bachelor of Science with a major in ecology and minor in agriculture, at Massey University. He plans to obtain a Masters in the field of agriculture so he can pursue his passion for preserving New Zealand's natural environment.



**Emma Simpson** from Tauranga is this year embarking on a Bachelor of AgriScience degree, majoring in horticulture, at Massey University. She wants to develop strains of plants, nutrients and supplements that require minimal intervention and are in line with good economic growing practices.



**Lucy Hewitt** from Pahiatua is studying a Bachelor of Agribusiness and Food Marketing at Lincoln University. Lucy is aware that the primary sector is becoming increasingly commercialised and technology-focused so intends to work for a major New Zealand agricultural business after completing her degree.



**Tessa Smith** from Kapuni is studying a Bachelor of Engineering with Honours at the University of Canterbury and is one of two recipients of an engineering scholarship Ballance has awarded this year. Having grown up on a dairy farm next door to the Kapuni ammonia urea plant, the former Stratford High School student is keen to work within the agriculture or gas industries after she graduates.

## ONE YEAR SCHOLARSHIPS: -



**Gabriel O'Callaghan** from Kaitia is studying a Bachelor of Engineering at Massey University. Gabriel is particularly interested in exploring ways that the amount of nitrogen in New Zealand's waterways can be decreased.



**Peter O'Connor** from Westport has this year begun a Bachelor of Agricultural Science at Lincoln University. After completing his degree he aims to gain the experience and finances he needs to fulfil a life-long ambition of owning his own farm.

# BALLANCE ENCOURAGES PRACTICAL APPROACH FOR HEALTHY RIVERS PLAN

**Your co-op is encouraging a focus on the potential impacts for the regional farming community as a result of the proposed Healthy Rivers/Wai Ora: Proposed Waikato Regional Plan Change, which seeks to improve water quality in the Waipa and Waikato rivers.**

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While we are broadly supportive of the proposed change and its objectives, elements such as Policy 6 propose restrictions on land use changes which may have economic impacts. In our submission to Waikato Regional Council on your behalf, we are also seeking changes to the proposed Nitrogen Reference Point to make it more workable.

Farm Sustainability Service Manager, Alastair Taylor, who is involved in Ballance's submission on the plan change, says the proposed restrictions on land use need to be reconsidered.

"Effectively, under the proposal, restrictions come into play to prevent land use changes such as converting livestock grazing or arable cropping to dairy farming, or bringing land into commercial vegetable production."

"Under the proposed rules, these activities would become non-complying until July 2026 and any land owner wanting to change land use would face the most difficult category of resource consent to secure under the Resource Management Act. We are calling for an amendment which proposes the Council allow land use changes to be a discretionary activity. In our view, this will not compromise the goals of the overall plan change and will avoid any unnecessary economic impacts."

Ballance has also questioned the practicality and economic effectiveness of requiring a restricted discretionary activity consent for farming and cultivation on slopes greater than 15 degrees. Cultivation and grazing can be managed to minimise the loss of nutrients and sediment, provided industry-agreed good management practices are followed.

Ballance has undertaken a detailed technical appraisal of the Nitrogen Reference Points used in the proposed plan and has requested a number of changes to ensure the schedule is more effective for farmers and easier to implement for the Waikato Regional Council.



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## REDUCING HARM ON FARMS

**Ballance is a founding member of the Business Leaders Forum, Agricultural Health and Safety Action Group. Other members are Landcorp, Federated Farmers, Fonterra, FMG, Dairy NZ, Silver Fern Farms, and Farmlands.**

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The group brings together CEOs and senior health and safety professionals from within agribusinesses, industry groups and Worksafe to establish programs that share industry best practice with the farming community.

Ballance Safety Health Environmental Quality Manager, Bruce Taplin, says the group recognises that farmers and agribusiness are all committed to making farming safer, and acknowledges that everyone needs to combine efforts to make it happen.

**“ Many farms are small to medium enterprises, made up of two to five people. They simply cannot afford to engage a full time health and safety professional, and don't need to ”** says Bruce.

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Being part of the group is an opportunity for us to work across the industry to develop a consistent approach to health and safety on farms.



**Southland on show:** a bluebird day saw 350 farmers and rural professionals turn out for the Mount Linton field day in Southland. The privately-owned station welcomed visitors from far and wide, including speakers from Australia-based genetics experts Rennylea Angus and LAMBPRO. Ballance was proud to sponsor the brassica and red clover station on site.

## SERVICE CENTRE RECYCLES RAIN TO PROTECT RIVER

**Recycling rain through specially designed gardens is ensuring our Huntly Service Centre is doing its bit to protect the mighty Waikato river.**

Ballance Project Manager Matt Dempsey saw a risk that rain water run-off would collect dust residue from the site along its way to the Waikato River through the stormwater drains. He stepped in, designing two rain gardens to sit parallel to the centre which soak up the nutrients from any run-off.

"We obviously didn't want nitrogen or any other impurities reaching the river so the rain gardens essentially act as nutrient traps," says Matt.

"We've got plants like flax and cabbage trees that we know can effectively remove the contaminants in the water and handle the wet and dry conditions," he says. "The plants are thriving because of it so it's a win-win situation."

Matt and his team drew on the experience of both the Gisborne and Pukekohe service centres which also have rain gardens to protect their local environment.

Before entering the rain gardens, all run-off goes through a sediment forebay which removes any solid particles that are either floating or sunk in the run-off liquid. An oil and grit separator in the dedicated loader wash area deals with any contaminants that may be leftover from washing the loader. All of the sediment traps are cleaned out by a sucker truck when required.



## NEW CEO FOR FANZ

The Fertiliser Association of New Zealand has announced the appointment of Dr Vera Power to the role of Chief Executive, following the retirement of former Chief Executive, Dr Philip Mladenov, at the end of December.

Dr Power brings international experience in farm systems through applied research with Teagasc (the Agricultural Research Authority in Ireland), and more recently, government policy experience on both water and climate change with Ministry for the Environment. Dr Power understands the evolving demands on farmers to farm

responsibly while operating in an increasingly complex regulatory environment.

The Fertiliser Association was founded over sixty years ago to encourage responsible and scientifically-based nutrient management practices. It funds third party research, produces farmer-friendly, practical information on fertiliser use, including the Code of Practice for Nutrient Management, and advocates on behalf of the primary industry on central and regional government policy and regulation.

# RIGHT TOOLS, RIGHT INFORMATION, RIGHT RESULTS

If you have the right tools and the right information, you get the right results on your farm – even if it happens to be in an environmentally sensitive area, such as the Hawke's Bay Papanui sub-catchment of the Tukituki River.

That's the strong message emerging from a collaboration between Ballance Farm Sustainability Services Specialist, Christina Finlayson and farmers Miles and Megan McBain who own Kahotea, a mixed cropping and finishing farm. Using Ballance's decision support tool, MitAgator, they have developed a mitigation plan that reduces phosphorus losses by 36%, improving the quality of waterways and the farm's sustainability while maintaining productivity.

It is a true science, farming and data-based effort, with Christina completing her Masters in Environmental Management by investigating the use of MitAgator outputs in Farm Environment Plans in two catchments – Tukituki in Hawke's Bay and Waipa in the Waikato. Her Masters research has sponsorship support from Ballance and Hawkes Bay Regional Council.

"I am working with seven farms, four in the Papanui sub-catchment and three in Waipa. They are all co-completing Farm Environment Plans of some form – Farm Environmental Management Plans (FEMPs) in the Tukituki, and Sustainable Milk Plans (SMPs) in the Waipa. I'm investigating whether using MitAgator increases the quality of these plans and/or uptake of the sustainable land use practices recommended as a result," says Christina.

On the McBain farm the process started with a nutrient budget produced in Overseer and mapping of the farm in GIS layers. The nutrient budget and the farm map package were then entered into MitAgator which developed different risk maps, identifying where losses are happening on farm. In the McBain's case, the model also demonstrated that 75% of the sediment lost from Kahotea is from 5-10% of its area.

Megan McBain, a landscape architect, is using this risk map as a guide for an existing planting programme on the farm to effectively plant for stabilisation to minimise sediment losses.

MitAgator analyses a range of options for reducing losses but Christina says prioritising the contaminant to be reduced is an important step.

"Then we work through the different mitigations by running various scenarios that quantify the reductions to optimise the best place to put, say, a sediment trap. Before recommending a mitigation we need to go on farm to make sure it is practical. If you are spending money on an environmental improvement, you want the biggest bang for your buck."

The McBains say MitAgator has worked well and done everything they hoped. "And it's only going to get easier," says Megan.

MitAgator is a decision-support tool developed by Ballance through the Primary Growth Partnership. It identifies the critical source areas of phosphorus, sediment, nitrogen and E.coli loss, and then recommends the most cost-effective mitigation strategies, based on research trials conducted by AgResearch.

Testing and refining of the prototype will continue through this year, with MitAgator expected to become widely available in 2018.

"It's a complicated model and we want to make sure it's released to farmers in its most effective state," says Christina.



For shareholder information  
phone 0800 267 266

For customer information  
phone 0800 222 090

[www.ballance.co.nz](http://www.ballance.co.nz)

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