

SHAREHOLDER UPDATE

MAY 2014

FREE AG HUB FOR SHAREHOLDERS

Ballance shareholders are now even better off, with the co-operative offering free access to the award-winning Ag Hub farm technology system exclusively to our shareholders.

Chief Executive Larry Bilodeau says that with farmers under increasing pressure to track nutrient use and manage nutrient budgets, putting the technology in shareholders' hands has been a priority.

Ag Hub has evolved from a farm mapping system into a solution-based package available through our website. In addition to the free package, shareholders have the option of subscribing to additional modules specific to their farming operations.

Ballance General Manager of AgInformation, Graeme Martin, explains the technology is effectively a one-stop shop for farm-specific data.

"If a farmer wants to look at any information on the farm to help make a decision then Ag Hub will immediately show a complete view of the property over four aspects – production, environment, fertiliser and nutrition (feed). The system can measure and control water, irrigation and effluent; and monitor things like soil moisture and weather conditions.

“Longer term we envisage even more technology with the integration of new information-based products and modelling systems into Ag Hub as we bring to market some of the outcomes of our research and development programmes.”



To learn more about what Ag Hub can do for you visit www.aghub.co.nz

AG HUB – WHAT'S ON OFFER?

The free Ag Hub package being offered to Ballance shareholders includes:

Mapping - The foundation of any Ag Hub solution is an accurate map of your farm boundaries, paddocks and land features.

Nutrient management - You can view soil test information, fertiliser plans, access nutrient management plans plus view and manage your nutrient budgets.

Online ordering - Navigate through Ag Hub and Ballance Online to create orders for properties directly from your fertiliser plans.

Photo: Ag Hub Manager Clive Nothling shows customers what it's all about at the recent Waimumu Field Days

PRICE VOLATILITY SET TO CONTINUE

P3

\$10 MILLION FEED UPGRADE

P4

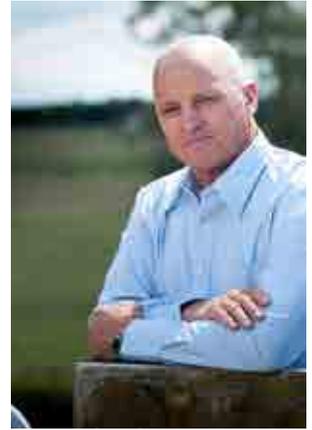
SUPPORT FOR WATER ACCORD

P7

OVER THE GATE

SUPPORTING YOU THIS YEAR, AND THE NEXT

Winter and the end of the financial year are getting closer. We are preparing your co-operative for another year to support you to achieve your farming objectives with nutrient solutions just as you're busy preparing for the coming season.



Rain has finally broken the drought in drier parts of the country, including Waikato, just in time to build some good pasture cover prior to the colder months. We hope that the recent reduction in n-rich urea and SustaiN prices we passed on to shareholders last month will assist with building up feed reserves to meet stock requirements over winter and early spring.

Most of you will know you now have exclusive free access to the Ag Hub farm technology system we have recently purchased.

When we moved to full ownership of Ag Hub last year, we wanted to use this to help our shareholders farm more profitably. Free access to farm information technology is an important step in this direction and the offer has been very well received.

Thousands of you have already signed up, and it's easy to see why.

As the regional Ballance Farm Environment Awards winners and finalists are announced throughout the country there's a common theme emerging – smart use of

information to get results.

Today technology is enabling the best farmers to make better use of the masses of information they have on hand to make the right decisions on-farm. Several of these leading farmers recognised at the award were using Ag Hub.

If you haven't already then I would encourage you to find out more about what Ag Hub can do for you and sign up today.

With just weeks to go until we close off the books for the year I'm pleased to report that Ballance is trading well, supported by consistent demand for fertiliser throughout the year and across all sectors. The strong dairy payout and steady prices for sheep and beef have seen the strategic use of nutrients to boost profits on farm. Profits for your co-operative are also looking healthy, and we expect to return a good rebate to shareholders later in the year.

DAVID PEACOCKE
Chairman

SEPTEMBER RETIREMENT FOR CEO

Chief Executive Larry Bilodeau will be retiring at the end of September, ending 17 years with the co-operative, 14 of them as Chief Executive.



Larry's plans were announced in March by Chairman David Peacocke who said that under Larry's leadership Ballance has evolved from a fertiliser business to a co-operative covering the full spectrum of farm nutrient requirements.

"Larry has always ensured our co-operative has stayed one step ahead

of our shareholders' and customers' needs. He developed and led our strategy and ensured we earned our place as a trusted name in complete farm nutrient management. That

trust is reflected in our consistent financial performance.

"Larry has set very high standards and our Board is committed to ensuring his successor has the same strategic and leadership qualities which have been so evident during his leadership."

Larry began his career as General Manager of Ballance's Kapuni urea plant in 1997 and took over as Chief Executive three years later. He says he will spend his final months at the helm ensuring the co-operative stays on track with its growth strategy and performance goals.

INTERNATIONAL VOLATILITY SET TO CONTINUE

International price volatility is set to continue for the foreseeable future according to General Manager Supply, Jack Herder.

Jack says that current pricing trends are being driven by the large users of nutrients – such as the North Americas, Brazil and India – and the purchasing behaviours of these countries at key times of the year.

For example, the United States imported a lot of urea earlier in the year with quantities which will see them through the side-dressing season through into June.

“Once they had purchased their requirements and their demand for urea temporarily subsided, this was reflected in international prices, which also dropped,” says Jack.

“With regards to India, there is a lot of speculation about what demand is going to be like for both phosphate and urea, and how the country intends to subsidise fertiliser again this year.

“It has been suggested that DAP is not getting as much subsidy as urea, which in turn drives increased urea sales. This raises the question of how much urea India is going to import and how much DAP they will import to cover their phosphate requirements.”

Support to build winter feed with urea price drop

As the dry summer conditions ease, a drop in urea prices will be welcomed by farmers looking to build up feed reserves to meet stock requirements over winter and early spring.

Ballance dropped the price of urea from \$695 to \$645 and SustaiN from \$751 to \$697 in early April on the back of a slump in global prices for urea.

At the time of the reduction global urea supply was exceeding demand, which resulted in a drop in international pricing.

We acted quickly to reduce urea prices and pass on the benefits to customers during this important growing season.

CADMIUM MANAGEMENT ON TRACK

Updates to New Zealand’s national soil cadmium database show levels in agricultural soil are similar or lower than those found internationally and pose minimal risks to health and the environment.

Since the 2007 assessment, undertaken as part of the National Cadmium Management Strategy, more than 3700 soil samples from every type of farm and from all of the regions of New Zealand have been collected and analysed.

Ballance Science Manager, Aaron Stafford, says the update is encouraging.

“The results from this extensive sampling effort show that soil cadmium concentrations range from <0.01 to 2.7 parts per million, with large variations between soil type and land use. These ranges are similar to those reported previously. This is a good indicator that cadmium levels are being well managed, but we can’t be complacent. To ensure levels stay safe it’s important we continue to manage and monitor them. For farmers, adding a cadmium test to their regular soil tests, especially in the higher risk areas like the Waikato, is one simple and

affordable step and we can back it up with good advice on how to keep levels safe.”

Around 2700 of the samples – more than 70 per cent – were collected and analysed by the fertiliser industry, with the remainder contributed by regional councils and crown research institutes. About 1200 of the soil samples have been collected by the fertiliser industry since the roll-out of the Tiered Fertiliser Management System in 2011.

This imposes increasingly stringent fertiliser management practices on farms in areas where cadmium levels are in the higher ranges.

Aaron says Ballance and the fertiliser industry will keep working closely with farmers to give clear advice on managing soil cadmium levels.





To find out more about SealesWinslow products visit www.sealeswinslow.co.nz



\$10 MILLION UPGRADE TO DELIVER FEED WHEN NEEDED

Demolitions have commenced at Morrinsville to make way for the upgrade

Farmers purchasing animal nutrients from SealesWinslow will have better access to feed at times of peak demand, with a \$10 million upgrade underway to increase production at its manufacturing facilities.

One year on from becoming a wholly-owned subsidiary of Ballance Agri-Nutrients, SealesWinslow is making significant investments in its service and manufacturing capabilities to better meet the needs of its customers.

“Feed plays a key role in farm profitability and animal health at key times of the year, particularly around calving and in summer when pasture growth slows right down, so continuity of supply is critical,” says Ballance General Manager of Animal Nutrition, Graeme Smith

“It can be a challenge to deliver on orders fast enough during peak seasons, and we are really looking to up our game to make sure we have product for all of our customers where and when they need it.”

Graeme said that in the feed market it is important to get the balance right between fresh, quality feed, and building enough inventory to cater for spikes in demand.

“We need to make more, make it better, and make it faster, as well as make provisions for smarter storage and distribution solutions.

“A key part of this strategy will be to leverage the company’s place within Ballance and utilise select service centres as distribution hubs to provide greater access for customers to pick up bagged product.”

In addition farmers already have access to product through more than 200 rural merchant stores throughout the country including PGG Wrightsons, RD1 and Ashburton Trading Society.

SEALESWINSLOW JOINS THE BRAND FAMILY

The SealesWinslow brand is changing in line with the wider Ballance group and other subsidiary companies Super Air and Ag Hub, bringing together all of the complete farm nutrient management offerings under one consistent logo.



Having all of the subsidiary brands now represented with the Ballance logo means that farmers can see at a glance that all of these products and services belong to a co-operative with well-established credentials in supporting farmers to operate profitably and sustainably.

General Manager Animal Nutrition Graeme Smith says that since SealesWinslow was brought by Ballance in 2008 it has been working hard to lift its capabilities and align the business with the Ballance infinity growth symbol and everything it stands for, including sound science and proven results for farmers. Farmers can expect to see the change over the coming months as new branding is rolled out.

“It’s a new look for an old name, that shows everyone that we are part of something bigger and better.”

CLEARING THE AIR

Air purity is becoming one of the big challenges in cities and truck engine technology has raced to minimise the contribution from the thousands of heavy vehicles that pour into ports and industrial areas day after day.

International truck emission standards were adopted in New Zealand in 2009 and are updated regularly. As part of these standards, all heavy trucks imported into New Zealand must now meet the Euro 05 or Japan 09 standard. These advanced engines rely on the use of an exhaust scrubbing agent SCR (Selective Catalytic Reduction) that converts pollutant exhaust gases into water vapour and harmless nitrogen gas.

Ballance is serious about supporting environmentally sustainable practices, and is extremely pleased to manufacture and sell a top-quality product that helps reduce emissions and associated health impacts. We recognised the need for a locally produced product in 2009 and developed Go Clear, our heavy vehicle diesel exhaust fluid.

Go Clear is a high-specification additive made to exacting international standards at our Kapuni ammonia-urea plant using locally produced urea and ultra-pure demineralised water.

We have replaced imported product with a sustainable, 100% New

Zealand made product that is now available at truck stops nationwide.

Our commitment has eliminated a lengthy import supply chain, reducing the additive's carbon footprint significantly and providing security of supply and price stability.

The technology is also moving on farm, with many of the leading tractor manufacturers now fitting SCR-reliant engines on their large tractors and farm machinery. Visitors to the National Fieldays in June will see this is already a

reality. The major European car manufacturers are also planning to use SCR technology in their 2015 SUVs and 4WD vehicles.

The success of Go Clear both in financial and environmental terms is something in which all Ballance shareholders can take pride.



You can learn more about how GoClear is cleaning up our air by visiting www.goclear.co.nz

BIG PLANS FOR WHANGAREI SERVICE CENTRE

In October last year, Ballance made the difficult decision to cease manufacturing of superphosphate in Whangarei. At the same time, we remained committed to Northland and announced intentions to upgrade our Whangarei Service Centre.

Northland Distribution Manager, Dean Guerin said the Northland team were excited about the expansion and that detailed planning and the design was progressing well.

"We've been taking ideas from other service centres and staff around the country to ensure that we utilise knowledge from within the business.

"At the same time, we are looking to future-proof the system to account for the bigger units that will come in with the new road weight restrictions."

Dean said a significant part of the expansion plans was an upgrade of the dispatch area, which would increase trucking turnaround speed.

"Changes to our dispatch system may include a separate dispatch point for trucks that go direct to the service centre. There would also be a new intake system so that trucks could drop product directly into the store".

Construction of the expansion is due for completion in the second half of 2014.

CHARMAINE'S WINNING STREAK

Northland Supreme Ballance Farm Environment Award co-winner Charmaine O'Shea can now add Dairy Woman of the Year to her list of titles, after winning the award at the Dairy Women's Network gala dinner hosted in Hamilton.

Her win includes a Fonterra-sponsored scholarship to the Global Women, Women in Leadership programme valued at \$25,000. The programme will give her 12 months of exposure to New Zealand women in international business leadership roles.

Charmaine has been involved in farming and finance for

more than 20 years and she is an equity partner with brother Shayne in the Maungatapere dairy farm which won the Ballance Farm Environment Supreme Award for the region in 2013.

Ballance is a sponsor of the Dairy Women's Network and congratulates Charmaine on her well-deserved award.

NEED EXPERT ADVICE? LOOK NO FURTHER

Soil scientist Dr Doug Edmeades has been worrying aloud in some rural media about the quality of advice being given to farmers about soil nutrients.

We agree with him that fertiliser recommendations should be an exact science, which is why Ballance makes sure our sales team is suitably qualified and properly trained.

General Manager Sales, Andrew Reid, says the majority of his team join with tertiary qualifications, with many holding agricultural science degrees. But even then, we need to ensure they're able to give the best advice.

“All of my team complete the Massey University Sustainable Nutrient Management course within 18 months of joining Ballance and need to complete the advanced course within three years. We are also certifying our staff through the

Nutrient Management Adviser Certification Programme. This is an independent process which defines the standards our people need to meet when providing nutrient management advice.”

Fertiliser recommendations are based on interpretation of soil test results and use of the OVERSEER® nutrient management model – a model which has been developed based on more than two decades of research by AgResearch.

As Andrew explains, Ballance also has the process used for making fertiliser recommendations audited independently by Quality Consultants of New Zealand.

“That's our way of providing reassurance to farmers that the

advice they are getting is on the mark. They can have total confidence that they are using the right amount of nutrients, getting value for money and minimising the risk of environmental consequences arising from incorrect nutrient applications.”

“We agree with Dr Edmeades that fertiliser is crucial to the health of our pastoral systems and the economy. That's why Ballance continues to make a commitment to research to provide farmers with advice which is backed by proven results, and to ensure that advice is provided by people whose primary purpose is not to sell fertiliser to farmers, but to give them expert advice on farm nutrients.”



PLAYING OUR PART IN SUSTAINABLE DAIRYING: WATER ACCORD

Ballance Agri-Nutrients has partnered up with dairy companies around the country in support of efforts to improve water quality as part of our commitments to the Sustainable Dairying: Water Accord.

The Accord outlines a commitment to good management practices expected of all dairy farmers in New Zealand and records a pledge by the dairy sector and supporting partners to assist dairy farmers to adopt those good management practices and to monitor and report progress.

Ballance is supporting this work with our nutrient management expertise through the provision of nutrient budgets created in OVERSEER® that align with protocols under the accord. The aim is to support dairy farmer-suppliers to improve nitrogen efficiency and minimise nitrogen loss over time to create economic and sustainability gains.

Participating farmers are required to record key nitrogen inputs to their farming system throughout the season, including, herd data, milk solid production, nitrogen fertilisers, supplementary feeds and fodder crops, feed pads, stand offs/ housing, effluent and irrigation.

At the end of the season, this on-farm data is provided back to dairy companies and used to update the OVERSEER nutrient model. Once that information is in, each dairy company will send a report to each farmer showing how their farm is performing relative to peers on nitrogen conversion efficiency and nitrate leaching loss risk. Farm-specific results will not be shared with any third party outside of Ballance and your dairy company. The intention is use the collective data to look at trends at a regional and national level.

Accord commitments and targets in relation to nutrient management explained

Under the Accord, farms must supply their dairy company with information that will allow for the modelling of nitrogen loss and nitrogen conversion efficiency. Companies will report comparative performance back to farmers to drive continuous improvement in nutrient management.

Target: Data collected and performance benchmarked for 85% of dairy farms by 30 November 2014; 100% of dairy farms by 30 November 2015.



JOHN EDMOND (JACK) MCLEAN MNZM, JP

The fertiliser and farming industry has lost one of its admired leaders with the passing in January of Jack McLean, former Chairman of SouthFert. He was 92.



Mr McLean served as SouthFert's Chairman from 1987 to 1992, bringing to that role a wealth of financial knowledge as a founding partner in the respected Southland and Otago accountancy firm of Malloch McLean.

Mr McLean was head of a family which has made its mark in farming and in business in Southland and Otago. His son Russell operates Tower Peak Station, while grandson Hamish operates Hamilton Burn Run.

Sons Lindsay and Jeremy continued to provide financial guidance to the farming and business communities as owners of Malloch McLean, the company founded by their late father.

SouthFert's operations are now part of Ballance and Mr McLean's contribution to the industry is very much respected by the Ballance team.



Sarah Greenwood



Ryan Hathaway



Holly Flay



Peter Thomas



Matthew Hughes

INVESTING IN OUR FUTURE SCIENCE TALENT

Five university students studying towards a degree in New Zealand's vibrant primary industry have been awarded Ballance Agri-Nutrients scholarships.

Each scholarship is worth \$4000 a year and can be held for a maximum of three years. Scholarships are open to family members of Ballance shareholders or shareholders of an entity (and beneficiaries of that shareholding) with shares in Ballance, as well as family members of company employees.

Warwick Catto, Research and Development Manager at Ballance Agri-Nutrients, says the calibre of this year's applicants were again of a very high standard and shows that the industry's future is in safe hands.

Ballance has now awarded over 60 scholarships since it started the programme.

2014 SCHOLARS

Sarah Greenwood from Ohakune is studying a Bachelor of Agricultural Science at Lincoln University this year.

Once she completes her studies Sarah hopes to continue in the agricultural sector by either conducting research or becoming a consultant focusing on the sheep and beef sector.

"Short term research or a role as a consultant interests me. However my long term goal is to become a leader in the industry through either management or farm ownership."

Sarah gained her passion for agriculture after spending her school holidays working on the family farm. This also saw her involved in Fielding High School's Teen Ag Club as vice chair and she was part of the team that placed second at the Teen Ag

nationals which is a young farming competition.

Ryan Hathaway from Reporoa is into his second year of studying a Bachelor of Chemical and Biological Processing Engineering (Honours) at Massey University.

Head boy of Reporoa College in 2012 Ryan already has strong experience working during his holidays on a sheep farm and a relief milker on several dairy farms in the local area.

After graduating Ryan hopes to use his engineering degree within the agricultural sector.

"My options are still very broad, although given my farming background I would definitely like to work within the agricultural arena."

Holly Flay from Te Awamutu has just started a Bachelor of Science majoring in Chemistry and minoring in International Agribusiness and Animal Science at Massey University.

Born and raised on a dairy farm, Holly's aim is to use her farming experience and conjoint degrees to work in the dairy industry.

"I think my background of growing up on a dairy farm and my interest in animals and agriculture has really helped me gain a strong insight into the industry. I'd like to use my degree to pursue a career with the dairy industry focusing on research and development."

Peter Thomas, from Mossburn is passionate about the agricultural sector after growing up on a 5,000 acre sheep and beef farm which gave him strong understanding about the industry.

Now into his third year of a Bachelor of Agricultural Science at Massey University, Peter is interested in working as a technical salesperson once he completes his studies, and would like to eventually own a sheep and beef farm.

"I did particularly well in my soil science paper last year making this area a strong contender in the direction I will head after I finish my study."

Matthew Hughes, from Rotorua is into his second year of a Bachelor of Agricultural Science at Massey University.

Growing up on a sheep and beef farm and with experience of working on a dairy farm Matthew has a real desire to pursue a career in New Zealand's primary sector. Once he graduates Matthew hopes to work in research and development for the beef and lamb industry.

"At the moment my key interests are in animal and soil science, and business and farm management. My degree gives me the opportunity to learn more about these different aspects and the other opportunities within the agricultural sector, which will help me define exactly what I want to work on when I finish it."

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www.ballance.co.nz



agri-nutrients
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