Fixed Price Nitrogen

Your guide to
Fixed Price Nitrogen

Spring 2024

Overview

Fixed Price Nitrogen gives you the opportunity to fix the price for some or all your Urea or SustaiN until 31 March 2025. It's a financial tool to help you manage some of the risk from volatile commodity prices. This helps provide certainty on your input costs.

In this respect, it's a bit like having a fixed interest rate for part of your mortgage, while the rest of the loan is on a floating rate. You have some baseline certainty while still being exposed to market changes.

There will be one fixed price offer application window in September. We'll be learning from this initial launch and future application windows may be made available.

Benefits:

Stability

Fixed Price Nitrogen lets you lock in more of your input costs, minimising the risks to your business.

Certainty

You can budget and forecast more accurately in a volatile environment, helping your business stay on track.

Ease

A simple tool in your financial toolkit to use when it suits your business.

How it works

You will apply to purchase a volume of Urea or SustaiN at a Fixed Price for a six-month contract period. There is a minimum contracted volume of 30 tonnes and maximum volume of 500 tonnes.

- During the contract period, you'll place and collect orders from Ballance as normal. We'll simply invoice you for the Fixed Price, instead of the Trade Price ruling on the day you collect your order.
- Once you reach the agreed contracted volume, any additional volume will be charged at the Trade Price ruling at the time of despatch.
- By the end of the contract, you must have uplifted your entire contracted volume. Otherwise, you will be charged a break fee for the shortfall.

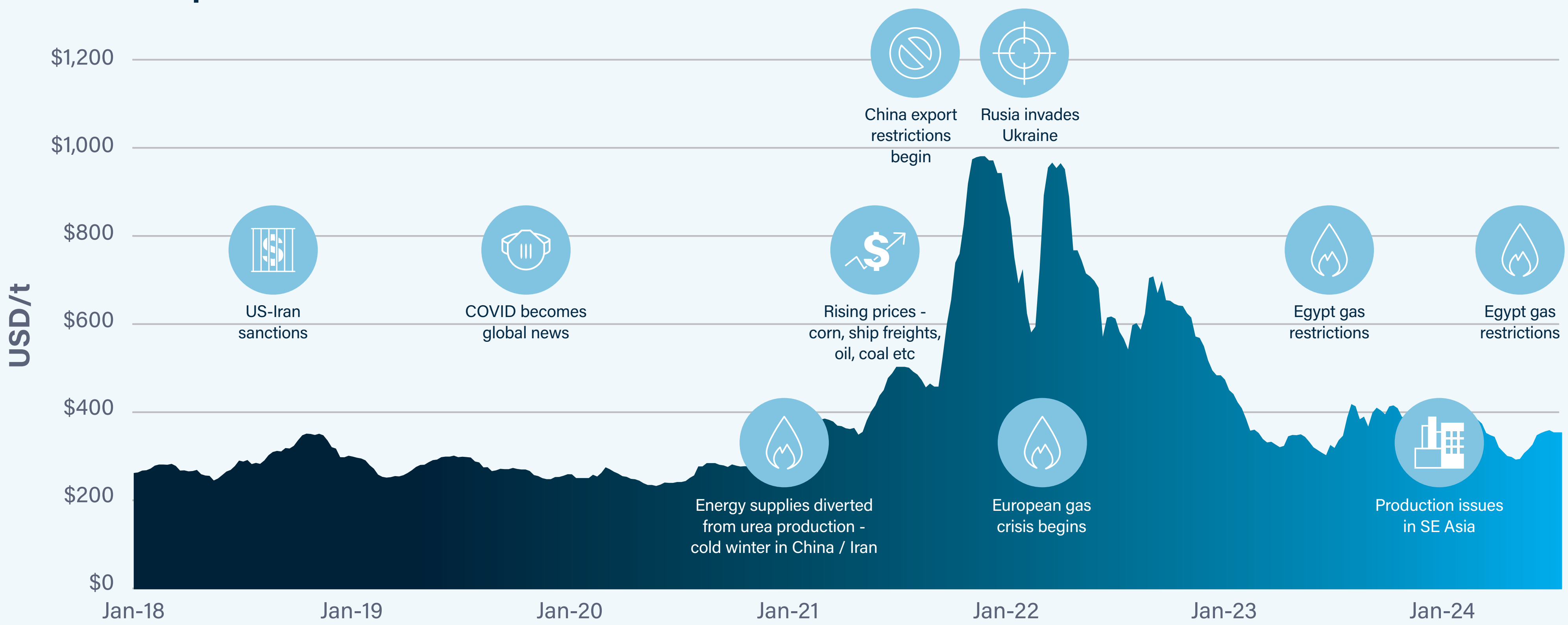
Urea Price Volatility

As a globally traded commodity, Urea prices have become much more volatile in recent years, which in turn can create uncertainty when managing your business.

Volatility may create risk for farmers running their businesses with fluctuating fertiliser prices. Opting to fix a price for a portion of your nitrogen may help you manage this price volatility by locking in the price you will pay for some of your fertiliser.

You may still benefit from any downward price movements for the volume that hasn't been fixed once the contract volume has been consumed. It is important to note that a Fixed Price may be higher or lower than the Trade Price on the day of despatch.

Urea market price - USD/t



The graphic illustrates the general trends and impact on the urea market since January 2018.

Who benefits from Fixed Price Nitrogen?

Ballance Shareholders

You get a new option in your financial toolbox. Committing to a volume of urea or SustaiN at a set price allows you to manage some of the risk of a volatile urea price. This can provide more certainty for budgeting and managing your business in the way that best suits you.

Our Co-operative

Fixed Price Nitrogen won't work for all Shareholders, but we know providing options is important and ultimately all shareholders' benefit. It helps Ballance gain volume commitment and supports our supply planning. There's a premium associated with Fixed Price Nitrogen that helps manage the risk.

Is Fixed Price fertiliser right for you?

Please read this guide carefully and discuss the possible implications with your rural professional.

Here are some important things to consider

You should discuss with your rural professional or financial advisor:

- whether participation is right for you; and if so,
- the volume of fertiliser you will commit to

- Opting to commit to a volume of fertiliser at a fixed price can be a significant business decision and your advisor can provide useful information and guidance on the implications.
- The Fixed Fertiliser Price may end up being less or more than the price of the fertiliser on the day you collect your fertiliser (i.e. the Trade Price).
- If you have a sharemilker or contract milker, you'll need to consider how this would affect their costs and discuss it with them.
- If you hold any other agreement with Ballance, you need to consider how this would affect your purchases and pricing before applying.
- There will be a limited volume of fertiliser available, so your application may be accepted in full or not at all.
- Before applying you should make sure you are familiar with the procedure that applies to applications.
- If your application is accepted by Ballance, a binding contract will be formed on the Fixed Price Nitrogen Terms and Conditions, and you are required to take the contract volume.
- If you don't take the full contract volume you will be liable for a break fee.

Important things to consider before applying

Consider whether Fixed Price Fertiliser is right for your business

The Fixed Price can be higher or lower than the Ballance Trade Price on any given day. You should speak to your financial advisor or rural professional about the best strategy for you and your farm.

You can only apply via the Ballance Website

Applications must be submitted using the form on the Ballance website by 5pm on the closing date, which will be published on the Ballance website when applications open.

Be fully prepared before you apply

You will need to have:

- **Ballance Customer Number** - you can get this from your MyBallance account (or contact our team on 0800 222 090)
- **Selected your product** - SustaiN (10707) or Nrich Urea will be available in this round
- **Determined your volume** - there is a minimum 30 tonne and maximum 500 tonne commitment for the Pilot phase. This is to ensure the limited volume of the pilot is accessible to more customers.

Fixed price applies to the customer not the property

All properties against your customer account must use the fixed price offer. Any order against your account for the contracted product will be charged at the Fixed Price.

This also means that if a sharemilker orders the product on their account, rather than your account, the Fixed Price will not be used. They'll be charged the Trade Price, and the order will not count towards your fixed volume.

Fixed Price Nitrogen will impact split costs through MyBallance

If you would like to use split costs and Fixed Price Nitrogen, please seek advice from your Nutrient Specialist to avoid any unintended consequences or charges.

Your application may be accepted in full or not at all

There is a limited quantity of volume and contracts available, so your application may be accepted in full or not at all. If your application is accepted, you are committed to the fixed quantity.

If you do not uplift the contracted quantity, it will cost you

If you do not uplift the contracted quantity, you will be liable to pay a break fee in respect of any tonnes not consumed. The break fee is calculated with reference to the Trade Price for the product at the end of the contract with a minimum fee of $50/T *(for full details, see the Fixed Price Contract Terms commencing on page 12).*

Straight-line products only

Your contract applies to straight-line products purchased in bag and bulk or as part of a special mix only. For example, if you contract on SustaiN (product code 10707), and then order SustaiN Ammo 30 (product code 12251), the SustaiN Ammo 30 will not count toward your contracted volume.

Bulk and bag

Your contract applies to bulk and bag SustaiN or Nrich Urea.
If bagged products are ordered, your Fixed Price will apply plus the standard bagging fees on the Ballance Price List.

Important things to consider before applying

First In, First Out

Your fixed price will be used on all orders despatched from the contract start date until your contracted volume is fully uplifted, or the contract ends on 31 March 2025. Any orders after this point will be charged at the trade list price. In other words, you cannot choose to purchase at the Trade Price rather than the Fixed Price.

Get expert advice

Make sure you discuss your participation, contract volumes and risk appetite with your rural professional or financial advisor. Break fees apply if the contracted volumes are not uplifted.

Adjustments still apply

In the same way that the Trade List Price is a 'headline' price, the Fixed Price will be subject to applicable adjustments. This includes additional discounts, payment terms, rebates, store charges and bagging and mixing fees.

What might this look like for my farm?

Here's a simple scenario that shows how Fixed Price Nitrogen might work for your farm.

This is a purely hypothetical case, so make sure you discuss your own situation and work through any implications with your rural professional or financial adviser.

Scenario

Hannah and Matt have been farming for 10 years on their own property.

They would like greater certainty on their input costs, as they have fixed part of their income using milk price futures.
They discussed their goals with their financial advisor and have developed a plan on how to use Fixed Price Nitrogen.

In the six months between September and February each year, they normally apply 60 tonnes of SustaiN at key points to boost their pasture growth.

How Fixed Price Nitrogen could benefit them?

Hannah and Matt applied to fix their price for 45 tonnes of SustaiN at a fixed price.

For them it's like fixing the interest rate on a bank loan. They have financial certainty allowing them to lock in their budget knowing they have fixed income, and have another major variable, the cost of SustaiN fixed. They think the premium is worth it - they save time and effort as there's no revising the budget when prices change.

They also get peace of mind, knowing they've minimised the risk to their business.
By committing to only 75% of their normal volume, they get the benefit of the fixed price on the volume they know they will take, without over committing if conditions change.

Hannah and Matt are able to head into peak milk production knowing that their fixed milk price will cover their fixed costs and they've got enough SustaiN in the budget for a great season.

Applications open in September

The fixed price offer and application form will be published in September at **https://ballance.co.nz/fixed-price-nitrogen**

If you want more information or want to discuss how Fixed Price Nitrogen could work for your business, contact your Nutrient Specialist or our team on **0800 222 090.**

Frequently asked questions

Who can apply?

All Ballance Shareholders are eligible to apply for Fixed Price Nitrogen.

When can I apply?

The application period will be published on the Ballance website in early September. Applications must be submitted by the advertised closing date as late applications cannot be accepted.

How do I apply?

Complete the application online at **https://ballance.co.nz/fixed-price-nitrogen.** When applications open, there will be a button 'Make an application' where you can submit an application.

Once the application window has closed, the application can no longer be cancelled or changed. If your application is accepted by Ballance, it will become a binding contract and you are required to take the contract volume of Urea or SustaiN. Please ensure you have accurately completed the application form.

Before you start the application, you will need:

- **Ballance Customer Number** - you can get this from your MyBallance account (or contact our team on 0800 222 090)
- **Selected your product** - SustaiN (10707) or Nrich Urea (10087) will be available in this round
- **Determined your volume** - there is a minimum 30 tonne and maximum 500 tonne commitment.

If you need help completing the application form, contact your Nutrient Specialist.

What products can I choose?

You can apply for SustaiN (10707) or Nrich Urea (10087). Separate applications must be submitted for each product.

Standard blends such as Sustain Ammo 30N or Nrich Ammo 30N are not included in your fixed price volume.

How is the price set?

The price will be published on the Ballance webpage prior to applications opening.

The price will consider the price of the product and any costs associated with managing the price risk of the product.

There are no additional fees or administration charges for participating in the Fixed Price Nitrogen scheme.

Store charges, bagging fees and mixing fees and GST are not included in the Fixed Price.

Could the fixed price end up being higher or lower than the trade price?

Yes. For this reason, all farmers should get advice about the best option for their business.

How much volume is available?

There is a total of 10,000 tonnes available in the September 2024 round.

The allocation will be limited to up to 100 shareholders in the first instance. This limit exists so that we can efficiently manage the contracts.

Frequently asked questions

How much can I apply for?

You must apply for a minimum of 30 tonnes, up to a maximum of 500 tonnes. Ensure you discuss your participation, contract volumes and risk appetite with your rural professional or financial advisor.

How is the volume allocated?

Applications will be randomly selected until the total contract volume reaches the available volume for each pool or 100 applications are selected (whichever comes first). These become provisionally accepted.

The eligibility of the provisionally accepted applications will be checked. If an application is deemed ineligible, the application will be replaced by new application(s) randomly selected from the pool until the volume or customer cap is reached.

How will I be invoiced?

There will be no changed to your invoice, or invoice terms. You will simply be charged the fixed price until your contract volume is consumed.

What is the break fee?

A simple and transparent break fee exists to ensure that Fixed Price Nitrogen contracts are fair. It's similar to a fixed mortgage break fee.

The break fee is calculated with reference to the Trade Price ruling on the last day of the contract.

How much is the break fee?

The minimum break fee is $50 per tonne of contracted volume not uplifted. If the Trade Price is lower than the contract price at the end of the contract term, the break fee could be much higher.

The calculation is outlined in clause 5.1 of the Fixed Price Terms and Conditions.

Why is there a break fee?

Fixed Price Nitrogen needs to be fair for everyone. A break fee supports applications for reasonable volumes, the uplift of those volumes, and ensures the co-operative can manage the price risk management required.

Key Terms

- **Fixed Price** - the contracted price for the contracted volume of Nrich Urea or SustaiN over the contract period
- **Trade Price** - current sell price for Ballance products in the market place (as defined by the published Ballance Trade Price List (www.ballance.co.nz)
- **Contract volume** - the contracted volume in metric tonnes that you as the customer are committing to purchasing and uplifting over the contract period
- **Unconsumed volume** - the contract volume less the uplifted or consumed volume
- **Contract Period** - The shorter of the six-month period starting from the commencement date or the date on which the contracted volume has been uplifted
- **Break Fee** - a fee to be charged at the end of the contracted period on any contracted volume that has not been uplifted.

Terms and conditions for supply of fixed price product

1. **TERMS OF SUPPLY**

1.1. **Acceptance:** By submitting a Fixed Price Application, the Buyer is deemed to have accepted, and will be bound by these Terms. If the Seller accepts a Fixed Price Application, a binding agreement will be formed in relation to the relevant Buyer Account for the Contract Volume on the date of such acceptance.

1.2. **Ballance Terms:** The Ballance Terms apply to the supply of the Product to the Buyer in addition to these Terms. To the extent that there is any inconsistency between the Ballance Terms and these Terms, these Terms shall prevail.

1.3. **The Buyer:** The Buyer must be a shareholder of the Seller to purchase the Product for the Term.

1.4. **Time of the essence:** Time is of the essence in the performance of these Terms.

1.5. **Variation:** The Seller reserves the right to amend or replace these Terms from time to time. Amendments will be effective 1 month following the Seller notifying the Buyer of the amendment. Such amendment or replacement will be deemed accepted unless the Buyer provides the Seller with written notice that its rejects the amendment/replacement Terms. In the case of rejection, the Terms will continue under their original provisions until the End Date or upon the parties agreeing on a new Fixed Price (whichever is earlier), following which, any future Fixed Price Application will be deemed to be accepted under the amended Terms.

1.6. **Other offers:** A breach of these Terms by the Buyer may affect the Buyer's eligibility to take part in or be offered the opportunity to take part in future offers from the Seller or the Seller's merchant agent.

1.7. **Authority:** Each person submitting the Fixed Price Application on behalf of the Buyer warrants that he/she has the actual authority of the Buyer to bind the Buyer to these Terms. If the Buyer should subsequently assert in writing that submitted the Fixed Price Application did not have the Buyer's authority to enter into these Terms, such assertion shall be deemed to constitute a breach of warranty of authority by that person rendering that person liable to pay liquidated damages to the Seller notwithstanding that the Buyer shall also remain liable under these Terms. The quantum of such liquidated damages shall be equal to the amount or amounts payable but not paid by the Buyer under these Terms on the assumption that the Buyer is bound by these Terms.

1.8. **Freight:** Where the Seller has agreed to procure freight for or on behalf of the Buyer and has provided quoted freight rates, these are based on ruling freight rates at the time of quoting. Any increase in the same prior to shipment and any other charges or expenses imposed or payable or arising in respect of the shipment or delivery of the Product shall be payable by the Buyer.

1.9. **Weights:** Unless otherwise agreed in writing between the Buyer and the Seller, delivery weights shall be at weights specified in the weighbridge dockets of the seller in respect of each delivery.

1.10. **Seller's rights on default by Buyer:** If the Buyer fails to pay the Fixed Price on the due date for payment then, without limiting in any way any other rights of the Seller under these Terms, any other agreement between the Buyer and the Seller, at law or in equity, the Seller may sell the Product at such price and on such terms as the Seller shall determine in its sole discretion, and the Buyer shall immediately pay to the Seller on demand on a full indemnity basis the amount of any deficit between the amount actually received by the Seller from such sale and the Fixed Price payable under these Terms.

2. **BUYER'S OBLIGATIONS**

2.1. **Buyer Account:** The Buyer must have a current account with the Seller, or with the Seller's merchant agent who will place orders on the Buyer's behalf. All orders placed by the Buyer or the Seller's merchant agent must be placed in the manner required by the Seller at the time the order is placed (e.g. purchase order).

2.2. **Agreement to take Contract Volume:** Subject to clause 1.4 of these Terms (Time of the essence), the Buyer shall over the Term request and take delivery of no less than the Contract Volume of the Product.

2.3. **Fixed Price and Payment:** The Buyer shall pay the Fixed Price for the Product ordered irrespective of any increase or decrease in the market price of the Product. The Seller may apply different pricing to Product exceeding the Contract Volume, or to Product taken by the Buyer outside the Term.

2.4. **Expression of quantities:** Unless otherwise agreed in writing between the Buyer and the Seller, all quantities expressed in or in connection with these Terms shall be expressed metrically and to the nearest one/one hundredth (1/100) of a metric tonne.

3. **FORCE MAJEURE**

3.1. If an event of Force Majeure occurs the obligations of a party under these Terms will be suspended to the extent that it is wholly or partially precluded from complying with its obligations under these Terms by Force Majeure.

3.2. A party affected by Force Majeure must notify the other party as soon as practicable of the Force Majeure and the extent to which that party is unable to comply with its obligations.

4. **TERMINATION**

4.1. If by the End Date the Buyer has not requested and taken delivery of the Contract Volume in full, the Seller may invoice the Buyer the Break Fee. The Break Fee will be payable by the Buyer in accordance with the payment terms under the Ballance Terms and any other directions given by the Seller.

4.2. If a failure or delay in performance exceeds 60 days, either party may immediately terminate these Terms by written notice to the other party.

Terms and conditions for supply of fixed price product

5. INTERPRETATION

5.1. Definitions: Terms defined in the Ballance Terms and used in these Terms shall have the same meanings as in the Ballance Terms. Otherwise, terms defined in these Terms shall have the following meanings:

"Ballance Terms" means the Ballance Terms and Conditions as updated and made available at ballance.co.nz from time to time.

"Break Fee" means C x F, where:

C = A – B, where A is the Fixed Price and B is the trade price set and published by the Seller as at the End Date (Trade Price), provided that where C is < $50 (including where it is a negative amount), C becomes $50; and

F = D – E, where D is the Contract Volume and E is the volume requested and taken by the buyer as at the End Date (Consumed Volume).

EXAMPLE:

Fixed Price (A): $1,000 per metric tonne

Trade Price (B): $895 per metric tonne

Contract Volume (D): 100 metric tonnes

Consumed Volume (E): 80 metric tonnes

($1,000 - $895) x (100 – 80)

$105 x 20

= $2,100

EXAMPLE:

Fixed Price (A): $1,000 per metric tonne

Trade Price (B): $1,200 per metric tonne

Contract Volume (D): 100 metric tonnes

Consumed Volume (E): 80 metric tonnes

($1,000 - $1,200) x (100 – 80)

A – B = < $50, therefore C = $50

$50 x (100 – 80)

$50 x 20

= $1,000

"Buyer" means a shareholder of the Seller that has submitted a Fixed Price Application for the Product, and that Fixed Price Application has been accepted by the Seller.

"Buyer Account" means a current account held with the Seller, or with the Seller's merchant agent who will place orders on the Buyer's behalf for the Product.

"Contract Volume" means the volume of Product in metric tonnes as submitted in the Fixed Price Application that the Buyer commits to purchasing at the Fixed Price for the Term, pursuant to these Terms.

"End Date" means the day after the last day of the Term.

"Force Majeure" means any of the following events or occurrences and the effects thereof: act of God or public enemy, flood, earthquake, storm, cyclone, tornado, hurricane, lightning, fire, explosion, epidemic, war, embargo, riot or civil disturbance, strike or other labour dispute (other than involving the relevant party, any related or associated company of the relevant party, any sub-contractor, agent, supplier or any contractor who has contracted (directly or indirectly) with the relevant party or any related or associated company of the relevant party to provide plant, materials, labour or equipment in connection with the supply of the Services), sabotage, expropriation, confiscation or requisitioning of facilities, orders or temporary or permanent injunctions of any duly constituted court of competent jurisdiction and any other matter or event which is beyond the control of the relevant party and which the relevant party could not take reasonable measures to prevent or mitigate the effects of.

"Fixed Price" means the price applicable to the Product for the Term as published on the Ballance website and the Fixed Price Application when applications open.

"Fixed Price Application" means an application submitted through the Ballance website by an applicant organisation on behalf of a Buyer for the purchase of the Product at a Fixed Price.

"Product" means bulk and bulk bags of straight-line nitrogen-rich Urea and SustaiN (but excludes blended or mixed products in which Urea or SustaiN are a component e.g. SustaiN Ammo 30N/36N, N-rich Ammo 30N/36N, SustaiN 15K/20K/25K, Pasturemag range, Pasturesure range, etc.), and for the purposes of the Ballance Terms is "goods".

"Seller" means Ballance Agri-Nutrients Limited, company number 178492 of 161 Hewletts Road, Mount Maunganui.

"Terms" means these Fixed Price Product Terms and Conditions.

"the Term" means the period commencing on the date that the Seller accepts the Fixed Price Application and ending on the date notified by the Seller to the Buyer in writing, as extended by agreement in writing between the Buyer and the Seller. In the event that no end date of the Term is provided, it will be deemed to be 1 year from the date that the Seller accepts the Fixed Price Application.

5.2. Interpretation: In these Terms, unless the context otherwise requires:

5.2.1. a reference to a statute includes all regulations under and amendments to that statute and any statute passed in substitution for that statute or incorporating any of its provisions to the extent that they are incorporated;

5.2.2. headings are inserted for convenience only and are to be ignored in construing these Terms;

5.2.3. all amounts are in New Zealand dollars unless expressly stated otherwise;

5.2.4. the singular includes the plural and vice versa;

5.2.5. the word "person" includes a natural person and any body or entity whether incorporated or not; and

5.2.6. a reference to "party" includes the Buyer and the Seller.

ballance.co.nz | 0800 222 090