



Media release

17 September 2009

1980s Think Big project celebrates significant milestone

One of the late Rob Muldoon's Think Big projects is paying handsome dividends decades later, just as current Prime Minister John Key considers his own infrastructure investment super strategy.

The country's only ammonia-urea manufacturing plant, located at Kapuni, south of New Plymouth, has recently produced its 5 millionth tonne of urea, 27 years after its opening, capping a contribution that can be valued in the billions of dollars.

Then Prime Minister Muldoon never lived to see the full potential of the plant, but it is now a solid performer for the country and for owner Ballance Agri-Nutrients Ltd.

Bay of Plenty Fertiliser, which grew to become the Ballance national fertiliser co-operative, has invested heavily to achieve this output after buying it in 1992 – it had previously been owned by Petrocorp and Fletchers.

In Ballance's hands the plant has become a significant income stream, a role model for infrastructure spending.

It underwent a major expansion soon after the takeover, boosting production by 30 percent on design, and on a regular basis since then has benefited from a substantial maintenance and capital programme.

In the most recent plant upgrade last November, the co-operative invested \$21 million over six weeks to bring the plant up to tip-top condition. It runs 24/7 between the now three-yearly scheduled shutdowns.

While the first million tonnes took 7.5 years to produce, Ballance's investment has lifted production to the extent that the fifth million tonnes took just 4 years.

The Kapuni plant was built to make use of the Government's 'take or pay' gas arrangements at the nearby gas fields.

Mr Muldoon envisaged the plant would help New Zealand's balance of payments by exporting its nitrogen-rich urea product, but internal demand from New Zealand farmers now absorbs all the plant can produce.

The early production was exported, but now the plant can produce just 40 percent of this country's total requirements – 260,000 tonnes a year. A further 330,000 tonnes or so is imported.

The 5 million tonne milestone achievement attracted Minister of Agriculture David Carter to the site on 17 September to join in the celebrations.

He helped plant a commemorative tree to mark the day, and spoke positively about the future of the plant and the far-sightedness of the National Party's 1980s Think Big vision.

Continued...

Ballance Chairman David Graham hosted the event, which was attended by several original Kapuni staff members who still work there.

Kapuni has been a valuable employment source in south Taranaki, with the Muldoon government stipulating the employees had to come from within a small radius of the site.

The complexity of the chemical production process makes the site one of the best training grounds for today's engineering graduates, employing some of the brightest minds in the country.

"We are extremely proud of our tutelage of Kapuni," says Mr Graham.

"We have invested considerable sums to meet our various resource consent obligations and to preserve the future of the plant. Crossing the 5 million mark is a huge achievement for our site staff and for our shareholders.

"Internationally, it is quite rare for a plant of this size to be held in private hands, and our farmer shareholders can take pride in their stewardship of their investment. This plant is 100 percent New Zealand owned and operated."

As part of its consents, Ballance has undertaken significant tree plantings around the site. On top of this, for the past 10 years it has voluntarily contributed to the Taranaki Tree Trust, providing trees to farmers who fence off their waterways for riparian planting.

The nitrogen in Ballance's n-rich urea is a key driver of plant growth, and when used strategically and responsibly, it can be a very effective tool for enhancing farm productivity.

To give an indication of the value of the achievement, it has made a positive contribution to New Zealand's foreign exchange of an estimated \$3 billion (at today's prices).

If New Zealand dairy farmers had used all 5mt, it would have produced extra dry matter (grass) worth an estimated \$5 billion in milk solids payments.

NOTE: Mr Muldoon officially opened the plant as Prime Minister on 11 December 1982. His Think Big list included:

- Methanol plant at Waitara
- Ammonia/urea plant at Kapuni
- Synthetic-petrol plant at Motunui
- Expansion of the Marsden Point Oil Refinery
- Expansion of the New Zealand Steel plant at Glenbrook
- Electrification of the Main Trunk Railway between Te Rapa and Palmerston North
- A third reduction line at the Tiwai Point aluminium smelter, near Bluff
- The Clyde Dam on the Clutha River