

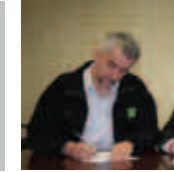
ShareholderUpdate



SERVICE CENTRE UPGRADES P2



CROPPING GRANULE A BOOST P3



JOINING RESEARCH EFFORTS P4

BALLANCE AGRI-NUTRIENTS LIMITED

AUGUST 2010

Healthy profit rewards shareholders

Your co-operative has reported a successful turnaround for our financial year to 31 May, recording a healthy \$21 million trading result that enables us to pay a rebate and dividend.

We lifted sales and returned to profitability, reducing debt by 59 percent in the process despite a difficult year weather-wise for New Zealand farmers.

This is a very satisfying performance. We really stood by our farmers by providing price stability and tailored technical advice to help you get the most out of whatever fertiliser you could afford.

Once again, we acted to protect our shareholders from the full force of the market. We learned our lessons well in the previous year, working our way through various issues, and are now a lot smarter and more cost efficient. As a result, fertiliser is much more competitively priced here than in the rest of the world.

Before tax profit: \$21m

Total distribution to shareholders: \$14m

Shareholder distribution: \$17.14/t

Fertiliser sales: 1.173m tonnes

Operating cashflow: \$156m

I am pleased to report that Ballance will pay a rebate of \$15 per tonne based on each shareholder's purchases during the financial year, and an imputed dividend of 5 cents per share, equivalent to a combined distribution of \$17.14 per tonne for a fully paid-up shareholder.

That's a respectable rebate in this economic climate and we are proud to have achieved it while reducing debt from \$221.6 million to \$91.5 million.

We have also increased our annual spend on research and development and allocated



David Graham

further funds into our capital reserves during the year.

The Group's equity ratio is now 65 percent, compared with 50 percent a year ago, easily surpassing the commitment given last year to restore Group equity to at least 60 percent within two years.

Doing the right thing by our farmer shareholders has also been the right thing for Ballance.

Your co-operative is now extremely well positioned to support its loyal shareholders and produce an excellent trading result for the current year. Our core foundation is in very good shape.

Total sales rose by 5 percent to 1.2 million tonnes, generating turnover of \$693 million, with the company's Technical Sales Representatives (TSRs) working hard to meet the needs of individual farmers.

Several regions experienced crippling drought, and we worked one-on-one with

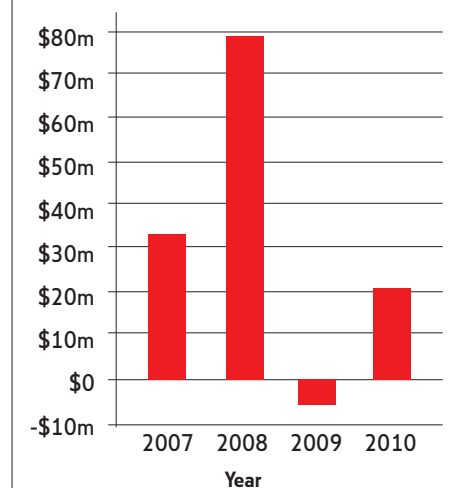
farmers to help them get their farms back into full production, including offering deferred payment terms.

Emphasis was placed on helping farmers get the biggest bang for their fertiliser buck, which required a lot more technical input from us and some innovative responses. Our senior management and scientists hosted technical dinners for shareholders across the country and our TSRs developed nutrient budgets and full Nutrient Management Plans for individual farmers.

I assure you Ballance will continue to do its utmost to give you specialist technical advice and high-quality fertilisers at the lowest possible price. We haven't lost sight of what we were set up to do.

David Graham
Chairman

Group Trading Result



Investing in our Service Centre network

In the past 12 months we have upgraded our Service Centres at Bell Block, Rolleston, Te Poi, and Edgumbe and in just a few more weeks we will be able to add Hastings and Ashburton to the completion list.

At Bell Block in Taranaki we installed a dual mixing hopper, improving the load rate by up to three times. A second load out has been added at Rolleston in Canterbury as part of a \$2 million upgrade, with a similar improvement to load rate times.

Another \$400,000 has been spent at Te Poi in the Waikato and our Edgumbe plant benefited from installation of a dual mixing hopper.

The Hastings plant is a total rebuild, costing about \$450,000, while a new elevator installed as part of our investment at Ashburton will double the load out rate there.

Major upgrades have also been approved for Timaru and Gisborne to cope with a surge in demand in recent years.

A second mixing/ despatch plant will soon be ready in Timaru after a \$600,000 spend and we are looking to rebuild in Gisborne to upgrade our Ballance and Summit Quinphos operations there.

These investments in facilities will significantly improve our service offering. We have listened to suggestions from our customers using these sites and made the improvements as part of an ongoing programme.

The faster feed rates from the above investments will mean the batch mixers can be filled constantly in turn, thereby cutting out the delays experienced while the hopper unloaded the sole mixer. These upgraded sites can now fill a mini-spreader in less than a minute.

For some groundspreader, depending on the distances they have to travel, this could mean they have time for an extra load in the mornings and a second extra load in the afternoons.

This work complements our related efforts to

improve our inventory management system to deliver real improvements by getting the right product to the right store at the right time.

Greg Delaney
GM Distribution & Logistics



Our Te Poi Service Centre is now a co-share store following a \$400,000 upgrade

New GM appointed



Liz Muller

Elizabeth Muller has joined our senior leadership team as General Manager Corporate Services.

Liz has enjoyed an extensive career in the food processing industry, having held management roles with Anchor Products

(now Fonterra), Heinz-Wattie, Taura Natural Ingredients and Avocado Oil NZ Ltd.

Her proven skills in project management, including the implementation of information technology projects, fit well with our strategic initiative to build capability and competitive advantage through business processes and organisational culture.

Specifically, her role incorporates development of the information technology platforms, implementation of business systems, development of intellectual capital, human resource management and communications.

Raised on a dairy farm near Te Aroha, Liz holds a Bachelor of Technology and an MBA, both from Massey University.

'I have spent my entire career to date in the food processing industry,' says Liz. 'Now my role with Ballance has me working at the very start of the food chain.'

Liz takes over from Elizabeth Harper, who has relocated to Australia.

Directors' election

You will have received advice that nominations for candidates to stand in the 2010 directors election are now being called.

The directors to retire by rotation are Oliver Saxton (Ward A), David Graham (Ward B), and Dean Nikora (Ward C). Ward D has a bye this year.

All three directors have indicated their intention to seek re-election. If there is more than one candidate nominated in a Ward, ballot papers will be issued in early September 2010, with the results announced at the annual meeting.

Ward boundaries, and the ward that your shareholding is allocated to, are contained in the advice we mailed to you recently.

Please check and advise the Shares Team on 0800 267 266 if your Ward allocation is incorrect.



Julie Heatherley, (left) our Shares Administrator, and Maria Cowdrey, our Shares Registrar, can handle your requests

Communicating electronically

With the increased usage of electronic communication such as email and text, Ballance is willing to accommodate requests from shareholders for change.

We can provide timely contact with shareholders in the event of price movements, promotions in their region and special events if we have their mobile phone numbers and email addresses.

Apart from the obvious cost savings in this approach, as opposed to mailing a letter to everyone on our database of 18,200 shareholders, there is a compelling environmental perspective.

Please contact our Customer Services Team on 0800 222 090 to provide your details, or check that we already have the right information.

A year of positive changes

It has been a tough year and a very satisfying one. It is pleasing to see the turnaround within the co-operative, and the many changes that have been made for the better.

We have fully incorporated the operations of Summit Quinphos into our back office functions, while leaving that company's brand and identity intact. Merging the two companies' distribution networks has had an immediate \$4 million payback in savings.

During the year we successfully introduced a new enterprise-wide management system from SAP, a huge undertaking that required exceptional commitment from staff. The new software system is poised to deliver significant advancements for the whole company and for you, including online ordering.

Given the demands on fertiliser commodities around the world, there will

always be pressure on fertiliser prices here in New Zealand.

To accurately reflect world prices, we adjusted our fertiliser prices in early July.

On the whole the impact of the changes is relatively level, with increases in some products offsetting decreases in others, creating a price adjustment scenario rather than a price rise or decrease.

For example, potash (MOP) and sulphate of ammonia (SOA) came down in price by just over 15 percent each. There was no price change for DAP, n-rich urea and RPR, while the three sulphur products we manufacture locally – superten, Serpentine Super and sulphur gain 30S – went up in price.

Previously, we were seeing fluctuations in commodity prices of plus or minus 200 percent. While still volatile, the market is

definitely showing signs of settling, with these fluctuations now within the 15 percent range.

We have put in a huge effort to get our stock levels right for spring, with product now secured for the upcoming season. This, combined with the current trends in the international marketplace, has given us the confidence to say that we will endeavour to hold prices through the spring season. However, the current market volatility will mean we need to review this on a regular basis.

To discuss your spring fertiliser requirements, have a chat with your local Technical Sales Representative on 0800 222 090. You can also view our new prices on our website.

Larry Bilodeau
Chief Executive

Breakthrough cropping granule

Ballance has launched a compound granule that gives crops a nutrient kick-start DAP fertiliser while treating boron deficiency at the same time.

Marketed as cropzeal DAP boron boost (pictured), the new compound fertiliser product delivers precise amounts of DAP (diammonium phosphate) and boron in uniformly sized granules.

We are importing the high-specification product as a starter fertiliser chiefly for the brassica market, but it has potential in other cropping scenarios such as lucerne and seed crops, and for fodder beets.



'This product is another example of precision nutrient application,' explains Tim Beere, our Product Development Manager.

'Farmers want to pinpoint the precise nutrients they require and deliver them with an accuracy unheard of even just a few years ago. We have to be able to meet these requirements for site-specific nutrient management.

'This product development is particularly exciting for the brassica market, and any other crops where boron deficiency is a threat.'

Unlike blends of DAP and boron, cropzeal DAP boron boost granules each contain the same ratio of nitrogen, phosphate and boron. A key benefit with this product is that it will provide

a far more even and thorough distribution of boron across the crop, relative to a standard DAP and Granular Boron dry blend.

'With our new product, there can be no risk of crop failure due to poor blending and no risk of segregation of the boron from the DAP in transit. What's more, there's no dust.

'We expect cropzeal DAP boron boost to become the pre-eminent starter fertiliser in the market place.'

Boron is a common trace element used to treat and prevent the disease brown heart in brassica crops such as swedes and turnips, commonly identified as internal rotting, due to boron deficiency in soil. Too much boron can also be a problem, potentially 'burning' emerging seedlings.

New brassica crop calculators

The announcement coincides with the release of two additional crop groups within our successful forage brassica calculator software.

Our kale calculator, widely used in the market, has been adapted for swede and turnip crops as well.

These additions to our brassica calculator are the culmination of 10 years of research and development effort around the country. We've been conducting an intensive series of trials with regard to nutrient responses in turnip and swede crops and as a result we are pleased to be able to launch these forecasting calculators.

The calculators analyse the optimum fertiliser inputs to return the most economic crop yield response, based on a range of key indicators, such as the location of the crop, soil fertility, sowing and grazing dates.

Co-op shares not in the firing line

There is now little likelihood that shares in co-operatives, such as those you hold in Ballance, will be included in new amendments to the Financial Advisers Act, passed by Parliament on 23 June.

Ramsey Margolis, Executive Director of the New Zealand Co-operatives Association, said the Commerce Select Committee chair Lianne Dalziel announced that co-operative shares should not be covered by the Act.

The Act now excludes financial advice and financial services where that advice or service is incidental to a nonfinancial service. In addition, co-operative shares will now be treated as Category 2 (or "simple" financial products).

These changes should significantly reduce the impact of the legislation on co-operatives whose principal business is not financial services.

Annual meeting

The annual meeting will be held on 29 September 2010 in Hamilton. A notice of meeting and the annual review and financial highlights will be sent shortly.

Co-operating has benefits

The co-operative structure continues to deliver tangible benefits to our shareholder members in several key ways.

It is responsive to the types of member relationships in pricing and supply transactions, investment, and in governance, while providing the volume footprint necessary to operate in such a global market.

Ballance was established for a single purpose – to provide continuity of supply of fertiliser products at a fair price. While we must operate as a corporate because of the substantial size of our turnover and asset base, we have never lost sight of that founding objective.

We endeavour to give our members high-quality fertiliser products and reliable technical advice for the lowest possible price. That's why we try to hold prices down as long as we can in a rising market, and act quickly to reduce prices when there is downward movement overseas.

In terms of transactions, your co-operative delivers product at the lowest possible cost having regard to current and future growth and development requirements. Supply security is a prime objective: you are entitled to expect the right product, at the right place, at the right time. We don't cross-subsidise any of our products.

Our investment structure provides easy entry, a single easily understood share type, and distributions in the form of rebates predominantly linked to transaction volume. The dividend recognises the capital investment

our members have made in the co-operative and its related investments, such as Kapuni, Super Air and Summit Quinphos.

Every member has voting rights proportional to shareholding, placing the decision making in the hands of our transacting shareholders. We feel there is a strong alignment between the company, customer and shareholder.

There is much we would struggle to do as a private company. The international fertiliser industry demands economy of scale, and the specialised manufacturing processes require high capital cost assets.

While New Zealand is a relatively small player internationally, the longevity and reliability of your co-operative has earned us a place at the table. We negotiate supply terms that help reduce farm input costs for our members.

The bulk of our profits are returned to our shareholders as rebates and dividends. As a co-operative, we are not driven by the need for profit for profit's sake.

The economy of scale also enables us to invest in supporting our shareholders' businesses by way of specialised technical services and agro science services, delivering Nutrient Management Plans, for example, and crop calculators.

Consistently, our returns on shareholder funds and on assets employed are the best in the industry. For example, our average rebate (including the zero payout in 2009) over the past five years is \$20.46 per tonne.

Setting the record straight

We have recently sent out certificates advising the nutrient content of Ballance fertiliser applied in the year from 1 June 2009 to 31 May 2010.

These form an important part of the nutrient records for your farm and will also assist in completing any survey information requested by StatsNZ.

The nutrient analysis is calculated from the purchase record that details individual invoices and products sold to you during the year.

Please check these for accuracy and completeness and advise Customer Services on 0800 222 090 or the Shares team on 0800 267 266 if there is any missing information.

The rebate to be paid is based on these records, so it is important that these be accurate.

And then there were nine

Farmers and horticulturists on the east coast of the North Island now have the opportunity to participate in the prestigious Ballance Farm Environment Awards.

The New Zealand Farm Environment Award Trust has formed a partnership with the Hawke's Bay Regional Council (HBRC) and the Gisborne District Council to bring the competition to the East Coast Region.

The annual Ballance Farm Environment Awards recognise farmers who are farming in a way that is environmentally, socially and economically sustainable.

Kevin Rose, chairman of HBRC's Asset Management and Biosecurity committee, says the region's involvement in the awards will be extremely beneficial for farmers, orchardists and the wider community.

'Land-based industries are the life blood of the East Coast region and so it's crucial that district councils are seen to be providing leadership in this area,' he says.

Ballance is particularly pleased to have the East Coast region on board as we are certain that their diverse mix of agriculture, viticulture and horticulture will enrich the awards experience for all involved.

The addition of the East Coast region brings the number of regions involved in the awards to nine.



Chief Executive of AgResearch, Andy West (left) and Ballance Chief Executive Larry Bilodeau recently signed a Memorandum of Understanding for Ballance and AgResearch to work jointly on strategic research, in part to avoid duplication but also to better capture more ideas and utilise synergies.