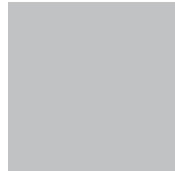


ShareholderUpdate



**READY TO
HELP SHARE-
HOLDERS**
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**HELPING OUR
FARMERS IN A
CRISIS**
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**WEST COAST
SILOS TAKE
ROOT**
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BALLANCE AGRI-NUTRIENTS LIMITED

DECEMBER 2010

GoClear cleans up the environment

Ballance has launched a new environmental product that reduces the nitrogen oxide emissions from diesel engines in heavy trucks, breaking them down to harmless nitrogen and water vapour.

No one else in New Zealand is capable of making the product, marketed as GoClear, and we have secured contracts with the main distributors who service the large truck fleets, such as Fonterra.

Ballance makes nitrogen-rich urea fertiliser at Kapuni, and we have added a sophisticated technical plant to siphon off the purest melt urea during the production process and mix it with ultra-pure water to create the product to certified international standards.

All new and used trucks imported into New Zealand since 1 January 2009 must meet Euro 4 Emission Standards, and moving forward the more stringent Euro 5 Emission Standards will be required to be met. These standards can be achieved by using an SCR

(Selective Catalytic Reduction) exhaust system additive such as GoClear.

GoClear is good for New Zealand because purchasing SCR solution made locally eliminates the need to purchase an imported product that has acquired a carbon footprint during importation.

Larry Bilodeau, Ballance Chief Executive, says the product is a great tie in with new technology that utilises urea from our production process at Kapuni.

'This is a very difficult product to make and it is a big step forward to be able to manufacture this indispensable product in New Zealand. We are very excited by its potential as the heavy truck fleet moves to SCR technology.'

'Ballance is serious about supporting environmentally sustainable practices, and we are extremely pleased to have found another product we are able to manufacture and sell that supports the reduction of emissions.'



Larry Bilodeau (left) at the GoClear launch with Fonterra Chairman Sir Henry van der Heyden. Fonterra uses the GoClear product in their truck fleet.

Balancing act on fertiliser prices

After holding prices through the spring season, Ballance is applying new prices from 6 December.

Our latest pricing holds off the upwards pressure on all of the main international fertiliser commodities, with the exception of DAP, where an increase has been necessary.

Overall, your co-operative is working hard to keep domestic fertiliser prices as stable as possible, taking into account international trends. The key changes affecting core products are DAP up \$74 per tonne to \$995, urea up \$5 to \$624, potash down \$100 to \$870 and serpentine super down \$20 to \$275.

From 6 December, these prices apply:

| Product | Old price | New price | % change |
|------------------|-----------|-----------|----------|
| superten | 320 | 320 | 0 |
| sulphur gain 30S | 345 | 345 | 0 |
| n-rich urea | 619 | 624 | <1% |
| DAP | 921 | 995 | +8% |
| Serpentine Super | 295 | 275 | <1% |
| MOP (potash) | 970 | 870 | -10% |

What's driving price?

International DAP prices have increased by a third since May with further increases likely as demand outstrips supply. With production delays from the new DAP plant due to come on stream in Saudi Arabia, only a third of the two million tonne forecast output will be available for the first six months of 2011. China has signaled changes to DAP export tariffs which will all but stop supply from that market and competition for supply is intensifying in the Northern Hemisphere.

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Strong corn and wheat futures have seen urea selling at US\$400/t, 66 percent ahead of industry experts' forecast price of US\$240/t for the final quarter of 2010. These increases are largely driven by farmers around the world reacting to better harvest price forecasts by boosting their soils to maximise their yields.

Phosphate rock prices have moved up so far by about 4 percent, but will come under increased pressure if DAP continues its climb in value, with suppliers looking for relativity in rock pricing.

Helping offset these international price trends is the stronger New Zealand dollar which has helped us hold prices in some cases and minimised increases in other products.

Outlook

All the trends are pointing to firm global demand for plant nutrients and its inevitable influence on pricing. With the current pricing trends, fertiliser commodity suppliers are reluctant to sign longer-term contracts, especially with the expectation that prices will rise on the back of spring demand in the Northern Hemisphere from March onwards.

The freight market has stabilised due to new builds coming on stream and indications the

global economy may not place as much demand on shipping as anticipated. This, coupled with indications the New Zealand dollar is likely to remain steady, will help to somewhat offset international commodity pricing.

What impact will the price changes have on-farm?

We are confident the latest round of pricing will have a minimal impact on farmers' pockets, with most of the cereal and maize cropping market finished with DAP applications for the season, and the onset of warmer and drier summer conditions.

The dairy and sheep and beef sectors can offset DAP price increases by substituting with superphosphate blends to get the most value out of fertiliser applications.

Where possible, farmers should make the most of any opportunity to apply plant nutrients now, with all the indicators pointing to tighter global supply and demand leading to further price rises in March.

To discuss how you can maximise your fertiliser spend contact your local Technical Sales Representative on 0800 222 090.

Liquid urea expansion

The move to provide bulk liquid urea into the central South Island from Rolleston is paying off, prompting the opening of three new plants in Gore, Omarama and Timaru.

Our n-rich liquid has captured the imagination of farmers throughout the central South Island, particularly because this area is the heart of the country's irrigated landmass, so we have responded quickly.

Rather than expand at Rolleston, we decided to position the product in the regions it serves, and we are now supplying product from all four centres.

Farmers like the product because it is suited to application via their centre-pivot irrigation systems, or by spraying trucks. Because it is a liquid solution, not a suspension, there is no particulate matter to clog nozzles or sprayers.'

Our n-rich liquid gives the same yield response as granular N per kg of N applied.

This is not just for crops - our n-rich liquid delivers an excellent return on high-value pastures and field crops.

Used correctly, n-rich liquid is a versatile product that provides uniform coverage of soil, pasture or crops.

Ready to help shareholders

As the year draws to a close, it is pleasing to be able to report that Ballance is in great shape to help farmers impacted by what has been a difficult spring season.

A series of adverse weather events in September meant farmers could not apply fertiliser when they wanted to either because it was too wet in the North Island or too cold, or snowing, in the South Island. Even more dramatically, some Canterbury farmers had their pastures torn up by the massive earthquake.

As a consequence, the busy fertiliser application period has been compressed severely, placing a strain on everyone involved in the industry, from our manufacturing plants to the spreading industry and beyond your farm gates.

Given such a scenario, we have pulled out all the stops to meet the increased market demands and expect to be able to satisfy all of our customers' requirements.

I am pleased Ballance is now also in a healthy financial position when so many of our shareholders could need a financial helping hand.

We deliberately bought more inventory in early to guarantee our customers would get their orders fulfilled, and this has proved to be at very favourable pricing levels, given the subsequent upward price pressure on international fertiliser markets.

The stronger New Zealand dollar has also enabled us to hold our on-farm prices, despite these regular rises overseas, but we have had to adjust some prices from 6 December to better reflect the reality overseas.

As New Zealand's leading fertiliser co-operative, we are looking ahead with increased optimism as profitability returns to most of the farming sector. More farmers are now in a position to apply fertiliser to meet their plant nutrient needs, not just their cash flow requirements.

Once farmers were able to get their fertiliser programmes underway, we have been very busy and have made up much of the lost time.

We were behind budget in volume terms at the end of October, although 12 percent ahead of the previous year, but the workload through November has brought us back up to our forecast levels.

We are meeting our earnings targets as well, and the outlook is very positive for the full financial year to 31 May.

On behalf of the Ballance board, may I extend our thanks for your support over the year, and our best wishes for your health and happiness throughout the festive season.

David Graham
Chairman



New liquid n-rich storage tanks installed at Rolleston

Election of Directors

The result of our election process for three Directors was announced at the Annual Meeting. Sitting Directors David Graham and Dean Nikora were returned unopposed in Ward B and Ward C respectively, and Oliver Saxton was re-elected following a ballot in Ward A.

Ballance gives back to schools

Ballance, in conjunction with merchant partner PGG Wrightson, has recently donated a total of \$30,000 to local schools throughout the country.

The donations were part of a promotion whereby each tonne of fertiliser purchased during the promotion qualified for a \$2 grant to the school nominated by the purchaser.

'This is the third time we have run the promotion with PGG Wrightson, and this

year we donated funds to over 120 schools throughout New Zealand,' says Ballance Sales and Marketing General Manager Graeme Smith.

'It's extremely rewarding to give something back to the local communities that support us, and we look forward to being able to provide further support to our up-and-coming generation of New Zealanders in the future.'



Our Technical Sales Representative Jessica Ruddenklau's dad, Ian, pictured in the midst of the snowstorm on his sheep farm at Fortrose in Southern Southland

Helping our farmers in a crisis

Our fertiliser Technical Sales Representatives were quick to show their support for snow-affected farmers in the lower South Island region in September by offering them a hand, literally.

Clearly, this was not a time to be making a sales call about their next plant nutrient application, so our reps took the practical approach, doing whatever was needed on the day to help out on farm.

This included moving ewes to safer ground and feeding out to stock, or simply clearing some snow.

It was a close-to-home experience for some of our staff, as many have family members farming in the region who were affected by the snow.

It's good to know we can be of assistance to our farmer shareholders at a time in need.

Ballance also made a contribution of \$40,000

to the Federated Farmers Adverse Events Trust, for relief labour and stock feed for those farms in most need, and donated funds to the Hokonui Gold Farming Show Snow Relief Promotion, aimed at cheering up farmers badly affected by the adverse weather conditions.

Your co-operative also donated \$2000 worth of fertiliser products to Federated Farmers to give away at the special earthquake relief meeting it arranged in Darfield following the Canterbury earthquake.

Our Rolleston Service Centre was caught up in the earthquake to a small extent, but we know many of our farmer customers were dealt a severe blow, and we wanted to help.

We are still happy to help out farmers affected by the snowstorm or earthquake on an individual basis. Contact your local Technical Sales Representative on 0800 222 090 if you need further assistance.



The hot heat exchanger moves into place

All set to go, good as new

Our Shift Engineers and contractors have successfully completed this year's two-week shutdown of the Acid Plant and Acidulation at the Mount site.

They were keen to get into their respective areas to complete the maintenance that tends to build up over the year and this year some major vessels were replaced or refurbished.

The impressive workload included installing a new stainless steel \$1.2 million hot heat exchanger to replace the old one that had come to the end of its usable life.

The 54-metre main stack also came down. It required strengthening work to repair thin patches and prevent premature buckling. Getting it down posed a challenge, with two cranes lifting it clear of the plant and then laying it down on a truck for removal.

Everything is now back in place and running productively.

Customers online coming

A project is well underway to launch an internet portal for Ballance and Summit Quinphos customers in the new year.

The primary driver for this project is to make it easier for our customers to conduct their business with Ballance and SQ.

The web portal will enable you to place sales orders online. You'll also be able to track deliveries against those orders, view your sales and invoice history and have access to designated technical information.

West Coast silos take root

The big Ballance silo lowered into place recently on Andy and Anna Thompson's dairy farm near Hokitika is a vote of confidence in West Coast farming.

After several years of planning, we have installed our first urea silo on the West Coast, and identified another nine sites to follow suit as soon as possible.

Getting fertiliser to the Coast has always been a mission, but where there's a will, there's a way.

'The twin challenges of costs and logistics make this a tough market to support, but in the near future we will have 10 urea silos leased to West Coast farmers,' says Graeme Smith General Manager Sales & Marketing, 'and we will continue to expand to meet market demand.'

'It is particularly pleasing that our first installation serves Andy Thompson, one of the Coast's prominent dairy farmers.'

The Thompson's run a 220 ha dairy farm at Awatuna, about 10 minutes north of Hokitika. Andy says they started using us because the product mixes and prices were second to none.

'Coupled with this, the on-farm technical advice I receive ensures, that my business thrives,' says Andy, adding that the new silo is part of a cunning plan.

'I am excited and relieved that they are now available, so I can con my father into spending hours on the tractor spreading urea.'

Our West Coast technical sales representative Paul Turner sees the silo as a breakthrough after four years of planning, helped in part by our move into Nelson and our \$2 million expansion of its service centre at Rolleston, near Christchurch.

'We can ship urea from our plant at Kapuni direct to Nelson now, or through our port store



The silos destined for the West Coast have a unique design that eliminates product blockages by using angled cones to push and pull product through the spout

in Christchurch, which is about three hours away by road from Hokitika,' explains Paul.

'It still leaves us a bit of work to do to cover the Coast from Haast to Karamea, but we are determined to meet the demand from Coasters for our products.'

Partnership a win-win for farmers

Growing demand for low-input fertiliser has brought about a pioneering partnership between Hatuma Dicalcic Phosphate and Ballance.

Ballance and Hatuma have started nationwide production of Hatuma Dicalcic Phosphate, a fertiliser made from a matured blend of lime and superphosphate, which has almost 50 years of loyal following throughout the lower North Island and more recently in Northland.

We're excited to be taking this product nationally and we are confident the partnership will bring substantial results.

We recognise there is increased demand for the Hatuma product around New Zealand, and we want to be a part of that.

This is a good example of a national co-operative working with a local family business to offer our shareholders a better range of products and options.

Hatuma says the partnership reflects changing priorities across the agricultural sector, with farmers under pressure to cut on-farm costs and reduce environmental impacts while maintaining production.

It is particularly exciting to combine Hatuma's 78 years of expertise in the lime and fertiliser industry with Ballance's trusted brand and national reach.

Our longstanding commitment to Kiwi farmers and the environment complements Hatuma's well-known philosophy, making this partnership the perfect fit to deliver this product.



Workplace safety initiative

A company-wide drug and alcohol policy was introduced on 1 September, adding to our range of workplace safety policies.

We started looking at implementing a drug and alcohol policy early in 2009 because we were well aware of the potential dangers our people face at work, having concentrated on workplace health and safety for several years.

Our lost time injury rate has dropped considerably over the past few years. Just five years ago we were recording double figures across the group and we are now down to an average of four a year.

Ballance is committed to keeping staff and site visitors safe and bringing the injury

number down to zero. As a result of this increased focus, the whole group has earned the highest level of ACC accreditation.

The drug and alcohol policy is another step in the path towards total safety at work. For several years we have required all prospective employees to undergo drug and alcohol screening as a pre-condition of employment, and we have now added post accident/incident testing and good cause/reasonable cause testing.

All employees have been given the opportunity of being briefed on the scope of the policy by New Zealand Drug Detection Agency staff, the company implementing the policy on Ballance's behalf.