

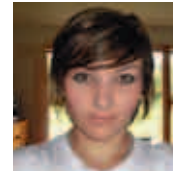
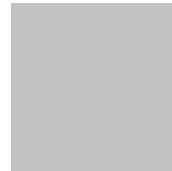
ShareholderUpdate



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EARN REWARD
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BALLANCE AGRI-NUTRIENTS LIMITED

MARCH 2010

Global fertiliser price rises levelling off

The strong demand pressure on key international fertiliser commodities that forced up prices on New Zealand farms last month has abated, and market trends are indicating that local prices could settle at current levels for much of this year.

International DAP and urea prices rose significantly at the start of this year, with DAP skyrocketing as much as 45 percent. Sulphur, an ingredient in our superphosphate, was also heading for uncertain territory. This peak in demand was largely caused by companies around the world replenishing their inventory pipelines in time for the Northern Hemisphere crop-planting season. As a consequence, we had to add \$91 a tonne to our DAP price last month, but it now appears that the international DAP price has reached a plateau.

The good news for New Zealand farmers is that it looks likely that we will be able to hold our DAP and superphosphate prices through the rest of the year. As always, we will continue to monitor the international pricing situation to

ensure our prices match market value.

On the business front, our management team has continued to focus on process improvements, strategy, research, and business development so that we can respond and adjust to an ever-changing world. This has seen us invest a lot of time and effort to bring our processes and procedures up to Best Practice standards, with our staff putting in incredible efforts, and hours, to make us a sharper, smarter organisation.

Separate articles inside this newsletter show the advances we have made in key areas such as health & safety, distribution and inventory management. We now feel that we have the necessary building blocks in place to move the co-operative forward in the challenging market conditions we are experiencing.

I remain optimistic about the long-term future of New Zealand farming and fertiliser use. The world's food bank requires replenishment each year, exacerbated by a growing and more affluent population in the large developing

countries of Asia. The emerging countries driving the increased demand for protein foods are not in a position to lift their own agricultural production sufficiently because of land and water constraints. Furthermore, foodstuff and livestock products have not kept up with other commodity prices and a correction is due, coupled with decelerating global agricultural production and low grain inventories. Agricultural products could become the leading trade commodity of this century, and New Zealand's role would be vital.

There is certainly a healthier mood of optimism across our market, and it is good to see our sales bounce back as a result. Thank you for your support.

David Graham
Chairman



David Graham

New director has retail expertise

A new independent director has been appointed from outside the rural sector to bring a new dimension to our board.

Ballance Chairman David Graham has invited Tony McNeil, who has just stepped down after 12 years as Managing Director of supermarket giant Foodstuffs (Wellington) Co-operative Society, to bring his 40 years of retailing experience to the board.

'We are looking forward to Tony's contribution at board level,' says Mr Graham. 'He has exceptional marketing and strategic experience and has overseen some

innovative service offerings at Foodstuffs Wellington, such as the fuel discounts, the construction of a fresh milk factory, and the move into stand-alone liquor outlets.

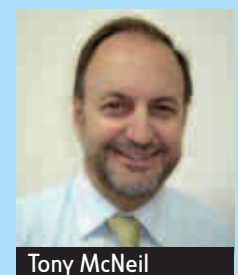
'I am sure the Ballance board will benefit from his entrepreneurial approach to business and his wealth of experience working for a co-operative.'

Mr McNeil replaces sitting independent director Graeme Hawkins, who elected to stand down at the end of his current term in March after 13 years on the Ballance board.

'Graeme has done an excellent job for

Ballance,' says Mr Graham. 'He has helped us through the many challenges that created the national co-operative in 2001, and we wish him well in his new endeavours.'

Mr McNeil, 57, who lives in Wellington, joins the board for its April meeting.



Tony McNeil

Super Air fin for export

Super Air is supplying New Zealand, Australia and Indonesia's Fletcher aircraft fleets with improved fins after its prototype fin recently gained Civil Aviation Authority (CAA) approval.

Last year a mandatory requirement was issued by the CAA for all Fletcher aircraft to be fitted with new, stronger fins by October 2010 as a result of an engineering safety review on all agricultural aircraft.

As Super Air has the largest Fletcher fleet in New Zealand, our engineers set about designing a fin for our own fleet that would meet the new regulations.

Market demand for the approved prototype is such that we will also supply the remainder of New Zealand's fleet, as well as the Australian and Indonesian fleet. Super Air has received in excess of 40 orders for new fins.

'We are very proud of the effort that has gone into developing and gaining approval for the fin, and of the capability of our engineers,' says Super Air Manager Graeme Martin.



Super Air engineer Phil Kirkpatrick shows off the new fin

Advice and support on offer for drought-affected farmers

Ballance is supporting the efforts of Meat and Wool New Zealand, Dairy NZ, and the Northland Rural Support Trust to help out drought-affected farmers in their local community.

Northland is a medium-level drought zone with all three of Northland's districts - the Far North, Whangarei and Kaipara - affected.

Representatives from Ballance and the other groups have been meeting regularly with local farmers to offer their support and professional advice during the dry spell.

The Government has also allocated funds to the Northland Rural Support Trust to enable them to give financial support to those farmers who need it most.

'From our point of view it is difficult to watch, as there is not much in our power we

can do to help farmers until the rain arrives,' says Graeme Dickeson, our Area Sales Manager for the region.

'In the meantime, moral support and advice is the most useful thing we can offer. We are also working one-on-one with our farmer shareholders to offer financial support during the recovery phase.'

His team has been distributing fact sheets about the role of fertiliser in recovering from drought.

'We are committed to assisting shareholders and customers on an individual basis to help them with their farm recovery process when the grass gets growing again. Farmers are very appreciative of the support we are giving them.'

Thanks for help with survey

More than 500 farmers throughout the country gave up their time last year to tell us what they think about our industry, with an aim to provide additional market intelligence to guide us in the development of our future business strategy. To say thank you for participating they were entered into a prize draw to win one of three free tonnes of urea.

At random the following customers were selected from all customers who participated in the nationwide survey. Congratulations to:

- Elizabeth Gilltrap, Christchurch
- Helena Boston, Fielding
- Peter Bellamy, Matamata

Once all the results from the research are collated, we will provide this feedback to you.

Inventory strategy on track

Our new inventory strategy is starting to pay off for our farmer shareholders by closely matching international delivery dates to demand.

Over the past 12 months we have been working to bring down our inventory levels nationwide to reduce the holding costs in real dollar terms, explains Greg Delaney, our General Manager Distribution & Logistics.

The transition has not been without some pain, with short-term product shortages in some areas caused by the late arrival of a ship carrying phosphate rock. This rock is now being processed around the clock and supplies are returning to normal levels.

There were times when we didn't get our inventory right, and we apologise for the frustration that we caused with partial shortages in some areas.

Shareholders can be assured that we will have product available, however at times it

may take a little longer than normal to fulfill your order.

We are not out of the woods yet, but we are convinced we are on the right track.

We are achieving some success in cutting down on lazy inventory, and this is starting to have a positive effect in that we are now less exposed to the impacts of international price changes on our inventory values, which hurt us so badly last year.

There is now a greater degree of inventory management to ensure stock is positioned in the right place at the right time. By achieving these benefits, we will ultimately bring savings to our farmer shareholders.

As part of the strategy, we want customers to order early and give accurate collection dates. Eventually, we hope to eliminate all open-ended orders.

Ultimately, we will be able to provide the best service for farmers and everyone involved in the supply chain.



An Emerging Pacific Leaders group visited our head office and Mount manufacturing plant as part of a study tour this month, hosted onsite by our Process Development Chemist Terry Smith (orange overalls) and Warwick Catto, Head of Research and Environment, right.

Network gains by design

Our distribution network optimisation programme is working to combine the Ballance and Summit Quinphos distribution networks into one to reduce overall distribution costs and improve product access for both Ballance and SQ products.

Before Ballance acquired SQ, the two companies operated a total of 163 outlets. Thanks to the co-sharing of facilities, an increased network can be covered from 127 outlets.

The rationalisation project has enabled us to strip out some of the cost of our distribution network, meaning more efficient use of our resources, while in some cases increasing the choice and convenience for our customers.

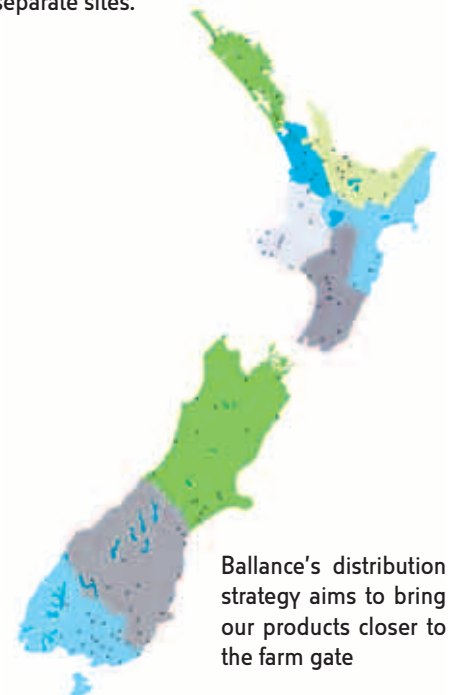
We have already identified savings well in excess of \$3 million a year from this approach, and we confidently expect to be able to pass on the benefits of greater savings long term.

We are also benefiting from shared efforts in overseas purchasing and shipping that could potentially save up to \$6 million each year.

To date we have banked \$3m from property sales related to this process.

Major work has been completed in Rolleston and Nelson on co-share facilities, and the next to benefit will be Hastings, Invercargill and Whangarei.

The final phase is to start looking at plugging any gaps in our nationwide distribution network. It is more realistic to look at such options in tandem with SQ, rather than having to plan and fund separate sites.



Ballance's distribution strategy aims to bring our products closer to the farm gate

Inspiration at Agribusiness

Conferences are worthwhile when you come back refreshed and inspired – and the draw card speaker at the 17 – 20 May NZX Agribusiness conference, Professor Robert Swan, is such an inspiration. He's the first man in history to have walked to both the North and South Poles, and has survived near-death encounters. Regarded by many as one of the world's top motivational speakers, his experiences from the past 25 years have evolved into an exceptional and dramatic story of success, failure, inspiring

others to pursue their dreams and to preserve Antarctica as the last great wilderness on earth. Ballance is proud to continue its sponsorship of this industry leading conference, and encourages shareholders to visit www.agribusinessconference.co.nz for more information on the wide range of speakers and to register.



Safety milestones continue

The safety milestones keep flashing by across the Group in our pursuit of workplace safety.

As at the end of February, Kapuni, Super Air, Sales, Distribution, and our whole South Island operation had achieved more than a year LTI free (Lost Time Injury – an injury at work that results in an employee having to take time off).

This is an excellent accomplishment, and comes on the tail of the Group being granted Accident Compensation Corporation Tertiary Accreditation – the highest level, that brings with it the greatest discounts on workplace levies.

At 28 February, Super Air had gone 925 days LTI free, and Awarua recorded 528 days.

These accomplishments help bring our Group LTI figure down to a frequency of just 1.6 lost time accidents per million work hours.

This is 20 times better than we were 10 years ago (in November 1999 we were at 26.3) and compares very favourably with our position a year ago of 10.2.

'Everyone contributes to this record, which reflects years of effort and focus to ensure that we do not hurt anyone in the course of their employment,' says CEO Larry Bilodeau.

'This level of awareness also enhances safety at home. We have established a new benchmark as we head to a zero accident result.

'It's a great effort and shows that we can take care of each other.'

Our internal annual environmental, health and safety awards are underway again, with the winners in 10 categories to be announced in June.

Five finalists from our 2009 awards have progressed as entrants in the New Zealand Workplace Health & Safety Awards.

New system settling in

We have finally got the teething problems behind us following our switch to a new software platform last year.

The changeover now gives us the ability to take orders direct from shareholders and streamlines our processing and reporting systems, thereby increasing operational efficiency.

Unfortunately, during the transition phase some customers were overcharged for their special mix orders and we have written to each of them to apologise and explain how the money will be credited back into their accounts.

In other instances, the new system failed to include the "filling fee" on some invoices and we have again written to affected customers and apologised for our error and explained how the charge will be gathered.

These incidents have been a huge disappointment for me and for the many of my colleagues who worked long and hard to implement the software changeover.

The good news is that we have resolved all of the issues and defects we encountered, and we now have a robust yet user-friendly system that is starting to deliver on its promise.

We are confident such errors cannot happen again, and I thank those of you who got caught up in this for your tolerance and support.

Please call our Customer Services team on 0800 222 090 if you have any questions regarding this issue.

Graeme Smith
General Manager Sales & Marketing

Scholarships reward for commitment to the future

Outstanding commitment to the future of the rural sector has earned three young students tertiary education scholarships from Ballance worth \$4000 a year for three years.

Ballance has awarded 43 tertiary scholarships since 2002.

'We always try to find students who are set on a future in agriculture in New Zealand, and choose those most likely to make a difference to the rural scene in later life,' says Warwick Catto, our Head of Research and Environment.

He says Ballance received 95 applications for scholarships this year, up 36 percent on the previous year, and singled out students from Ohaupo near Hamilton, Ruawai near Dargaville and Yaldhurst near Christchurch.

'Many had the potential to add significant value to the rural sector as graduates, but these three were exemplary candidates.'

Tom Shaw (19) is studying for a Bachelor of Engineering with Honours (Chemical & Processing) at University of Canterbury. A former Dux of St Paul's Collegiate in Hamilton,

he is into the second year of his tertiary studies with a view to working post-graduation in agrichemicals, fertiliser or manufacturing. He is already thinking about developing biogas to utilise farm effluent to create heat and electricity.

Gemma Payne (20) is working toward a Bachelor of Agricultural Science, which she started in 2009 at Lincoln. She was raised on a fourth-generation intensive cropping farm in Canterbury, but has her sights on animal genetics, crop improvement and sustainability. A qualified personal trainer, the former Deputy Head Girl at St Andrews College wants to work towards owning a sheep and beef farm.

Calvin Ball (19) from Ruawai is in his second year of study for a Bachelor of Agricultural Science at Massey University. Raised to handle most aspects of farming of the family dairy farm in Northland, he was Head Boy at Dargaville High School, and is keen to advance his post-graduate career as a farm consultant or fertiliser technical sales representative.



Tom Shaw



Gemma Payne



Calvin Ball

ETS impacts will be felt

The amended New Zealand Emissions Trading Scheme (NZ ETS) was incorporated within the Climate Change Response Act 2002 last November.

The Stationary Energy and Industrial Processes (SEIP) & Liquid Fossil Fuel (LFF) Sectors come into the NZ ETS on 1 July this year. For Ballance this means added cost for the purchase of natural gas, electricity, and liquid fossil fuels across all Ballance operations, but particularly Kapuni.

Kapuni is not a direct Participant in the NZ ETS under either the SEIP or LFF sectors. The participant is the person who carries the direct liability under the NZ ETS. However, the Kapuni operations are considered to be Emissions Intensive and Trade Exposed (EITE), making it eligible for free credits (Allocation) under the NZ ETS.

The final form of this Allocation is still being decided, and Kapuni is working to influence the Government's decision as to exactly how the operation will be defined under the NZ ETS, and therefore how much Allocation will be received.

The Government was considering splitting ammonia and urea production into two distinct processes. This proposal would be disadvantageous to Kapuni, by increasing monitoring costs and reducing the amount of Allocation it would receive to help offset the costs imposed by the NZ ETS.

Final advice from Government officials to the Minister has recommended that Kapuni be defined as an integrated activity.

The Agricultural (Ag) Sector has been retained for inclusion in the NZ ETS in 2015, with voluntary reporting under the scheme from 2011, and mandatory reporting from 2012.

Ballance will also be a Participant in the NZ ETS within the Ag Sector for N-based fertiliser use on farm. However, this could shift to farm-level Participation in the long term.

Assistance with cost increases (by way of an Allocation) will be intensity based, on a similar basis to other Ag industries, and will be phased out at 1.3% per year starting from 2016.

For animal emissions within the Ag Sector the processor will be the Participant.

We are working hard to prepare our business for the added costs expected from July and in the longer term, and will keep you informed.