

ShareholderUpdate



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BALLANCE AGRI-NUTRIENTS CO-OPERATIVE LIMITED

APRIL 2007

International market presents challenges

The international fertiliser market is presenting some key challenges for Ballance looking ahead, with raw material pricing pressures continuing to build, but taking this into consideration we advise that the first half of the year has gone well for the company.

Pressure on farm gate returns, especially in the sheep sector, mean that we have some challenges ahead to meet sales budgets over the next few months. However, we will continue to work hard throughout the remainder of the year to ensure positive year-end results.

In February this year our chief executive wrote to the majority of shareholders advising that the company has increased the prices of major fertiliser product lines. The price changes range between 2.6% and 7%.

We have not increased prices since February 2006. Due to the protection afforded by foreign exchange cover and our own internal operating efficiencies, we were able to hold prices when the NZ\$ weakened against the US\$ last year. However, continued international demand on fertiliser prices have made a price increase unavoidable.

The main contributing pressure to this rise is the increasing global demand for fertiliser products, primarily driven by the production of biofuels in the United States and Brazil. This increased global demand for fertiliser has led to an increase in the price of potash and supply and demand issues surrounding urea, which has forced us to increase our prices.

A full list of our current prices can be viewed on our website at www.ballance.co.nz

We appreciate that price increases are never popular and we continue to work hard to ensure New Zealand farmers have access to low-cost fertiliser. Our success at this is highlighted when you compare Ballance prices with those of key products in Australia. The Australian market price in NZ\$ for DAP is more than \$660, while our price is \$560. In Australia urea is now more than NZ\$560 and superphosphate is over NZ\$240, compared to our prices of \$519 and \$195 respectively.

You can be sure that we will continue to work to keep prices at the lowest available levels and your continued support will assist us to achieve this goal.

Over the years the company has remained consistent in its strategy, in that we're committed to sticking to our core business. Looking forward we simply aim to do things better - better products, better facilities, better operations and better use of our partnerships. We are confident the outcome of this is better prices for you.

Speaking of better facilities, at the last Board meeting the directors took a site tour of the newly opened Hastings Service Centre, which,



David Graham

just months into its existence, is already proving popular with farmers in the central Hawkes Bay.

The feedback I have received to date regarding this centre is that the quality of the product distributed from there is proving to be of value to the horticultural market. The quality is a direct result of the new mixing plant available and the commitment of staff at the centre going the extra-mile to ensure that the product is mixed well for a lump-free end result.

Finally, the support we have received from customers during the summer incentive has proved beneficial to the company. This improved turnover at a time when sales are traditionally low has allowed for the company to be in a better position to gear up for the challenging months ahead.

David Graham
Chairman

Prices available online

A full list of current prices can be viewed on our web site www.ballance.co.nz

Ballance has say on climate change policy

For some time now Ballance has been taking a proactive approach to climate change issues, and a recent visit from the Climate Change Minister, David Parker, has given us the opportunity to discuss our position on this subject.

David Parker visited Ballance during mid-February to discuss our initiatives for minimising the impact our business and our products have on the environment. During his visit he commended our push for the use of nitrification inhibitors and nutrient budgeting by farmers.

'The use of nitrification inhibitors means farmers can cut nitrous oxide emissions, at the same time as increasing pasture production and reducing nitrogen run-off into streams and rivers,' says Mr Parker. 'Projects such as these demonstrate how New Zealanders are already working to overcome the challenges of climate change.'

The Sustainable Land Management and Climate Change draft policy has been released by the Ministry of Agriculture and Forestry and is open for submissions through to 30 March 2007. Ballance has been discussing this topic with other key influencers during recent times, and will be making a submission on the policy prior to 30 March.

There are two key elements proposed that will directly impact on farmers' fertiliser use and our business.

Incentive for nitrification inhibitors

Under the incentive for nitrification inhibitors option the Government would provide an incentive to reduce the cost of nitrification inhibitors. The objective of the incentive would be to lower the purchase cost facing farmers and thus reduce cost as a barrier to uptake of this new technology. If introduced, farmers applying Ballance's DCn product would qualify for a subsidy.

Charge on nitrogen fertiliser (urea)

This option would involve placing a tax or legislated charge on nitrogen fertiliser use. It would likely be imposed on companies selling nitrogen fertiliser, but the costs would ultimately be transferred through to farmers. We believe that this option would not be effective in reducing emissions, and would essentially place an unnecessary cost on farmers.

Other areas of the draft policy, including reducing carbon emissions from deforestation, which will have an impact on land use, will also affect the agriculture industry.

To ensure that those affected by the policy have the best opportunity to actively participate in the decision-making process surrounding this policy it is important that the Ministry of Agriculture and Forestry receives feedback, and we encourage our shareholders to make a submission if they have not already done so.

Acid storage at Awarua upgraded

Two tanks used for sulphuric acid storage were shifted during January this year as part of a \$1.1 million environmental upgrade project.

Awarua Operations Manager Neil Miller explains that the company is dedicated to proactive environmental projects.

'With time these changes will become compulsory, but we are taking action beforehand,' says Neil.

At the Awarua factory site, contractors Donaldson Construction and Smith Cranes carefully moved the empty 35-tonne steel tanks, which have a capacity of 1000 tonnes of acid, to new concrete foundation pads.

In the extremely unlikely event the tanks fail, sulphuric acid will be contained within the new 1.8 metre high concrete bund that is to be built around them.

DCn now available to reduce nitrate leaching

Ballance has a product on the market to reduce nitrate leaching and lock in nitrogen (N).

With the increased concern of the effect of nitrogen loss on the environment, DCn has been developed to help farmers more effectively utilise naturally occurring N and any N fertiliser inputs.

DCn is an easy-to-apply granular form of the nitrification inhibitor dicyandiamide (DCD). It slows N conversion in the soil so the N can be used to its full potential by pasture before it has the chance to leach into waterways or escape as nitrous oxide gas.

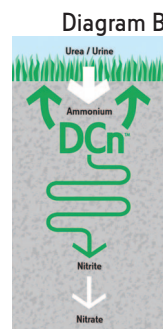
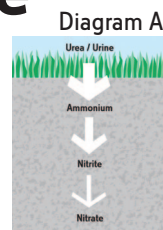
By helping plants use N much more efficiently, DCn can help reduce N inputs, and plays a role in reducing damage to the surrounding environment.

Reducing N losses on your farm has clear

Diagrams A and B demonstrate how N is converted in the soil, and how DCn works to reduce leaching

benefits for the environment and for your pocket. By retaining more N in the soil, you reduce fertiliser inputs, and retain cations like calcium, magnesium, and potassium, that would otherwise leach away.

For more information on DCn please contact your local technical sales representative on 0800 222 090.



A large crane is used to shift the empty acid storage tanks to concrete foundation pads

Biofuels impact New Zealand market

The rapidly growing production of biofuels worldwide is beginning to alter global demand patterns for fuel crops and is having an impact on fertiliser consumption, mix and also commodity pricing.

'Internationally, the use of crops for biofuels has become a more favourable option in recent times,' says Supply General Manager Jack Herder. 'High oil prices and concerns over the effects of vehicle emissions on the environment are two key driving forces behind this. The US Government is also a strong advocate for biofuels, reducing the acreage that they currently subsidise to leave fallow.'

The United States will plant an extra 9.5 million acres (3.8 million hectares) of corn during the 2007 crop year and is in the process of commissioning 30 more ethanol plants to complement the 100 already in existence.

'With government subsidies being offered in the US, specifically growing crops for biofuels is becoming increasingly attractive for farmers,' says Jack. 'Depending on geography, these will be mainly crops like rapeseed and soybean for biodiesel production, or corn and sugar cane for bioethanol.'

'To meet rising global demand, farmers will

need to replace their traditional crops, look for new arable land and boost yield. Some regions will have to import large volumes of food and fuel crops. These developments will clearly impact upon the fertiliser industry.'

'The effect of the current biofuel drive has seen the price of corn nearly double in the past year. This will bring about the moral dilemma of whether farmers should grow crops for food or fuel and issues of affordability. In Mexico today tortillas have moved up in price from \$1.00 to \$2.50 just based on rising corn prices.'

Other international forces currently at work
All three fertiliser commodities listed below are

being affected by the biofuel push and increasing demand worldwide:

Potash - prices for potash have been increasing over the past two years. The recent closure of a mine in the Russian Federation due to flooding and continual increase in global demand will intensify the situation further.

DAP - the closure of mining and production facilities in the United States has pushed up prices of DAP. Ammonia prices are also moving upwards, in line with world urea prices.

Urea - supply and demand issues have inflated the price of urea, and this is expected to continue through the first half of 2007 (Figure 1).

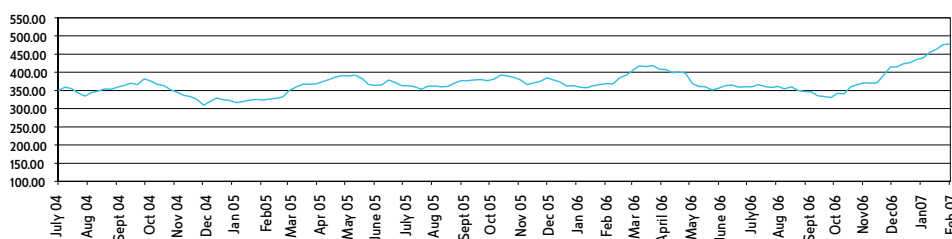


Figure 1: IRM Granular Urea Basket Price \$NZ from July until February 2007. The IRM international basket price is a benchmark price for urea trading.



Nita (right) and Bridgette are responsible for managing Ballance's shareholder transactions

New shares registrar on board

Nita McNeil joined the Ballance team early this year as shares registrar.

Nita and shares administrator Bridgette Irvine are primarily responsible for managing Ballance's shareholder transactions.

Nita brings with her more than five years' experience looking after shareholders and the database at Zespri.

Nita says that coming from Zespri she is familiar with striving to improve customer service and she is pleased to find that there

is that strong focus on customers here at Ballance.

'After settling into my role my focus will be on ensuring all active Ballance customers are aware how easy it is to become a shareholder and enjoy a share in the profits of the company through dividends and rebates,' says Nita.

If you have any questions regarding your shareholding, please don't hesitate to contact Nita or shares assistant Bridgette on 0800 267 266.

Paying rebates and dividends by direct credit

Last year was the first year Ballance provided the option of direct crediting dividend and rebates. Around one third of our shareholders took up the offer and received payments this way. The remaining shareholders received their payment by cheque.

All new shareholders are now invited to provide direct credit information when they make their application for shares, so we expect the number of shareholders receiving direct credit payments to increase this year.

If you are currently receiving payment by

cheque and would like to change to direct credit please contact Nita or Bridgette on 0800 267 266.

Direct credit ensures shareholders receive their funds as quickly as possible and saves a trip to the bank to deposit the cheque.

New web site Events calendar

Late last year Ballance launched its redesigned web site, which aims to provide customers with a more user-friendly experience. In order to keep download time to a minimum, we have kept bells-and-whistles features to a minimum, but we have injected a little colour to brighten up your day.

On the new site, you can learn about Ballance products (including their pricing and their compatibility); you can see what events Ballance is involved in throughout the country; and you can read the latest news from the company.

By clicking on the region closest to where you live, you can get an overview of Ballance people, services, news and events nearby, and even see who in the district can spread your fertiliser, whether you are after an independent Spreadmark-certified groundspreader or a Super Air pilot.

We've also included some articles on aspects of fertiliser relevant to the various types of farm, and some educational material on fertiliser manufacture and fertiliser use. Of course, you can always contact us through the web site too.

We'll be adding more material to the site on a regular basis, so check back in the future to read the latest news and articles.

Visit www.ballance.co.nz to view our new site.

Ballance is involved in a number of community and farming-related events throughout the year. Events such as these are important, as they allow farmers and people working in the agricultural industry to share information that benefits the entire sector. The calendar below lists events that Ballance has a significant involvement with. For further event details visit www.ballance.co.nz

Event	Venue	Date
Ballance Farm Environment Awards Evenings	Bay of Plenty	3 April
	Southland	11 April
	Otago	13 April
	Wellington	26 April
	Horizons	27 April
	Waikato	1 May
Ballance Farm Environment Awards Field Days	Northland	2 May
	Waikato	1 May
	Canterbury	2 May
	Bay of Plenty	9 May
	Wellington	9 May
	Southland	10 May
	Otago	14 May
BNZ Maori Excellence in Farming Award Field Days	Horizons	15 May
	Northland	23 May
	TBA	3 May
		10 May
		17 May
Dairy3 Conference	Rotorua	7 May
Women in Dairying Conference	Invercargill	17 May
ASB Agribusiness Conference	Queenstown	20 May
BNZ Maori Excellence in Farming Award Gala Dinner	Rotorua	15 June

Nutrient budgets on target



Technical Sales Representative Andrew Sanders (left) assists Rotorua farmer John Ford to assess nutrient requirements

Ballance is on target to help all of its dairy shareholders to complete nutrient budgets by mid-June this year, with about 85% of dairy shareholders having completed budgets to date.

With pressure from regional and central government for the industry to demonstrate

farmers are successfully able to self-regulate nutrient management, we are committed to helping the industry meet its commitments and meet the June deadline.

Nutrient planning and budgeting is recognised throughout the agriculture industry as a tool to

help farmers get the best out of their fertiliser use.

Ballance has employed eight additional staff specifically to help its dairy shareholders to meet obligations under the Clean Streams Accord and the Sustainable Environmental Management Strategy.

The current focus is on helping dairy farmers to complete nutrient budgeting, however, Ballance recognises that nutrient budgeting is something of value to all farmers, and will offer nutrient budgeting support to all of its farming shareholders in the future.

If you still need to complete your nutrient budget, we urge you to contact your local Ballance representative now or call 0800 222 090 to be put in touch with the representative nearest you. Ballance provides its nutrient budgeting service free of charge and we strongly recommend you act now to avoid any potential bottleneck that might develop as the deadline approaches.

Your Ballance representative can advise you of the information that will be needed to complete a nutrient budget.

For shareholder information phone 0800 267 266
For customer services phone 0800 222 090
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