

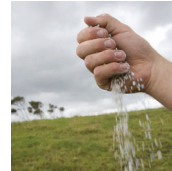
# ShareholderUpdate



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BALLANCE AGRI-NUTRIENTS LIMITED

April 2008

## Help us plan for possible industry shortfall

We are concerned that there will be a short-term shortage of super phosphate this year. You no doubt have heard rumours of this yourself.

Our stocks and production levels are adequate to meet our usual requirements at this time of year. However, we expect to receive numerous requests for supply from farmers who do not belong to our co-operative.

While we accept that you would want us to do all we can to help supply your fellow farmers who are not Ballance shareholders, our principal concern is to service the fertiliser needs of all our established customers, and take whatever steps are necessary to ensure that you, and our other loyal customers, are not disadvantaged.

To this end, we have undertaken not to consider any supply requests from outside our existing customer base until later in April 2008, to give you time to place your own orders with us.

We cannot meet any new demand for supply until we know what our own customers require. It would help everyone if you could place your orders and take delivery of the products as soon as possible. Once we know what our shareholders

need, we can then work to free up some stock to partially meet the projected shortfall.

This problem is not of our making, but we will do all we can to make sure it does not impact on your plans and profitability.

At Ballance, we work hard and employ sophisticated systems to understand the future needs of our shareholders, to plan ahead in sourcing raw materials, setting manufacturing targets, and distributing our products across the country.

But events take place that are not predictable, and shortages occur. This can range from a ship delayed by bad weather, competitors running out of product, rush buying to avoid a price increase or weather related events within New Zealand.

New customers should not reap the benefits of our production success. The super phosphate products we have in storage right now have been made at yesterday's prices. Other farmers are welcome to apply to join the cooperative and commit to Ballance long term, thereby obtaining the same supply benefits you enjoy.

It is possible the recent drought conditions, escalating prices, and lower farming returns in some sectors will temper the demand, and the shortfall might not be as severe as our evaluation suggests.

But we urge you to plan ahead now, and make sure you let your Ballance Technical Sales Representative know of your autumn fertiliser requirements as soon as possible.

If you have any concerns or queries, please talk with your local Technical Sales Representative or phone 0800 222 090.

**Larry Bilodeau**  
Chief Executive



**Larry Bilodeau**

# Sharing the benefits of Kapuni with you

In February we increased the price of our core fertiliser products because of rampant global demand for raw materials, but found a way to soften the blow for our loyal shareholders.

When making the decision to increase prices, your directors decided that looking after their loyal shareholders was the co-operative's number one priority.

We wanted to recognise your contribution to the company through the purchase of urea, and accepted that a large rebate at the end of the year might not be as beneficial as a reduced purchase price on some key products.

Taking this into consideration, we found a way to deliver some relief to our shareholders by offering a credit of \$30 per tonne to shareholders on any urea purchased before 31 May 2008, to be redeemed against any subsequent purchase of manufactured phosphate product before the end of November 2008.

As a 100 percent New Zealand farmer-

owned co-operative, we are committed to providing our shareholders with their nutrients at the lowest sustainable economic cost, and to assist them to maximise the production benefits from their investment in fertiliser.

Ballance's urea pricing strategy is to reflect international prices for urea to ensure that imported product is not sold at a loss. This ensures that the full benefits of the Kapuni plant can be redistributed to shareholders loyal to the co-operative.

When pricing products, the primary focus for Ballance is to ensure products and price offerings are competitive internationally - and are set at a level that enables us to invest in research and our facilities for long-term sustainability.

Where we are able to secure a competitive advantage through procurement or other areas, this advantage is reflected in rebates returned to shareholders.

This strategy ensures full benefits are

returned to shareholders only - and are not diluted by those who may elect to shop on lowest price and are not committed to the co-operative long-term.

**David Graham**  
Chairman



**David Graham**

## BFEA celebrations spread the message



John and Yvonne Harvey and their eldest daughter Rebecca Madden, Supreme winners of the 2008 Wellington Ballance Farm Environment Awards.

Ballance Farm Environment Award ceremonies - celebrating excellence in sustainable, profitable farming - have commenced throughout the country, with the first event held in the Bay of Plenty during early March.

Helping farmers to farm in a sustainable, profitable manner is a key driver for Ballance, and we are very proud to have strong support for these awards.

At Ballance, we recognise that farmers need

information and expertise now more than ever to assist them obtain the most from the nutrient investments they are making.

Despite the criticism agriculture has received in the media this year with regards to looking after the environment, the 109 entrants nationwide are a demonstration of the ongoing commitment and enthusiasm of a growing number of people within the farming community to sustainability and environmental protection.

We would like to see the number of entrants to the awards increase significantly over the next few years, and will work closely with the New Zealand Farm Environment Awards Trust to achieve this.

Nutrient management has been a core focus for the agricultural sector this year, with increasing pressure on farmers to adjust their practices to meet Government legislation.

Nutrient budgeting has become the norm for

many farmers, particularly in the dairy industry, and the uptake of nutrient management plans continues to grow. The integration of DCn into Overseer has also seen the industry reach another important milestone, recognising nitrification inhibitors as an effective tool both in granular and liquid forms.

The real focus at present remains on whole-of-farm nutrient management plans, with Ballance already rolling these out to farmers and committing extensive financial and personnel resources into getting farmers on board.

While Ballance welcomes the focus on fertiliser and the drive to improve fertiliser efficiency, there is an increasing number of nutrients entering our farming systems with the growing trend to import feeds such as palm kernel. We challenge farmers to consider the impact of these nutrients along with the impact of fertiliser.

The co-operative is delighted with the number of long-standing customers who have participated in the awards this year. Ballance representatives work closely with a large number of the farmers entering the awards, supporting them with their nutrient management programmes, optimising production and reducing the loss of fertiliser to the environment.

# HSNO regulations will change labelling and handling rules

Fertiliser Group Standards recently introduced as part of the Hazardous Substances and New Organism Act 1996 (HSNO) will affect many aspects of our operations at Ballance.

The key changes that must be implemented by June this year involve the labelling of bagged product, the supply of Material Safety Data Sheets (MSDS) to all customers, and signage, protective clothing, transportation and storage amendments.

The standards apply to any material that is used to sustain or increase the growth, productivity or quality of plants or animals through the application of essential nutrients to plants or soil. It also covers any other product that is considered to meet identified plant or soil nutrient deficiencies.

Every package under 400kg must be labelled with product-specific information, including identification of all its ingredients, and a raft of precautionary statements such as 'Keep out of reach of children' as well as advice on best storage, prevention of harm, and best response to an emergency.

Ballance must also provide an MSDS with every fertiliser purchase, to be given to the

purchaser before the goods reach the farm. It covers a wide range of potential hazardous scenarios, and how best to deal with them.

It's not good enough to hand it over on delivery. Farmers must be given time to read and review the MSDS before accepting the goods onto the farm. We are required to pass on the MSDS just once to each purchaser, unless the composition of the product has changed.

Instead of overloading farmers with lengthy MSDS documentation in printed format, we have received verbal confirmation from ERMA (written confirmation is being sought) that we can proceed with producing a summary product booklet to be posted out to all registered customers for reference.

Full MSDS will be available on the Ballance website for all standard products and common blends – the group standard allows us to have generic MSDS and not have to produce one for every special blend. Full MSDS sheets will also be available at the distribution centres should customers request or require them.

The trigger quantities for storage and signage

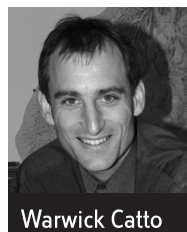


requirements do not apply where the farm is greater than 4 ha. For farms less than 4 ha, where more than one tonne total quantity of fertiliser is stored, an emergency response plan is required. Where these are necessary, Ballance can assist farmers to prepare the required documentation.

Where stored quantities are greater than 10 tonnes, signage is required at every vehicular and pedestrian access to the building and land – stating that hazardous substances are present, the general type of hazard, and action in an emergency.

Approved handlers are not required for this group standard.

There has been some debate about the ability to transport more than 10kg in a personal vehicle. This restriction applies only to passenger service vehicles – those that transport passengers for profit. Personal vehicles do not fall under this restriction.



Warwick Catto

## What to do when the drought breaks

With some rainfall in most parts of the country farmers are starting to turn their minds to what they can do to restore drought-stricken farms.

Ballance Agri-Nutrients Head of Agro-Sciences, Warwick Catto, says that maximising dry matter production once the rain comes is going to be critical to set the farm up for next season.

'From a fertiliser perspective, the key decision facing many will be whether to put on nitrogen to promote quick growth, or phosphate, potassium and sulphur (PKS) to maintain soil fertility. The choice will partly depend on cash reserves and partly on the overall fertility status of the farm.

'Soil tests will show the fertility status of your farm. Note that during a drought, sulphur and potassium soil test results tend to be elevated, because there is little nutrient uptake by the plants and no loss through leaching. Soil tests taken well after the drought has broken will give a more accurate picture of true soil fertility.'

If soil test results show that fertility is below desirable levels, then for the long-term benefit

of the farm it will be helpful to apply a PKS fertiliser to raise the levels of any deficient nutrients.

If soil test results show sufficient nutrient levels to meet production goals, then it will be reasonably safe to defer PKS application until next year, and concentrate instead on using nitrogen to boost growth.

After a severe drought it is preferable that nitrogen applications are delayed for two weeks after it has rained as the soil has good reserves of mineralised nitrogen and pastures take time to recover.

'Immediately following a drought there is a strong desire to boost pasture growth to feed stock. However, it's important to remember that nitrogen (N) enhances growth; it doesn't start it. For nitrogen to be of any use there must be some plant growth occurring when it is applied.

'Don't apply N fertiliser until paddocks have some pasture cover (1000 kg DM/ha). Once you have applied N, spell the paddock for four to six weeks to give the N time to have an effect, and to minimise the risk of nitrate poisoning.'

## New Shares Administrator



Kelly Dixon has joined the shares team as Shares Administrator with the recent departure of Bridgette Irvine.

Kelly has been employed with Ballance for almost

18 months in the role of accounts administrator, and is familiar with the business. Her bright and helpful approach to new tasks within Ballance is already well proven and we are sure our 18,300 shareholders will appreciate her cheerful phone manner.

Her key responsibilities will include working with Ballance technical sales representatives to respond to customer requests for share pack and nutrient reporting details as well as processing new shareholder applications and assisting with general shareholder enquiries.

She is looking forward to meeting many Ballance shareholders at various field day events throughout the coming year.

# Ballance scholarships acknowledge potential

The professional efforts of five young agricultural students have received a timely boost in the form of cash scholarships from Ballance Agri-Nutrients.

The recipients, all in fulltime study at universities, have been selected because of their proven commitment to the rural sector, and their potential to advance the interests of rural communities.

The 2008 scholarships are worth \$4,000 a year, for up to three years. Ballance has awarded 35 similar scholarships since 2002, and now employs two previous scholarship recipients fulltime, while several others have worked at Ballance on a contract basis.

## The 2008 recipients are:



**Jeremy Clayton** is studying for a Bachelor of Agricultural Science at Lincoln University. He has amassed considerable practical farm experience, working on his parents' dairy farm near Cambridge and also on a large-scale dairy farm near Ashburton. He also manages a lifestyle block for some elderly neighbours.

**Alex Opie** is the winner of the engineering scholarship offered by Ballance. He is studying for a Bachelor of Engineering (Electrical/Electronic) at Canterbury University, and intends to pursue post-graduate studies in an area that contributes to the sustainability of energy sources. As well as working on his family's sheep and beef farm in Te Kuiti, Alex, an A+ student, has spent time as a presser in a shearing gang.



**Jeremy O'Reilly** is studying for a Bachelor of Agricultural Science at Lincoln University. He grew up on his family's dairy farm at Tirau, and has relief milked for other dairy farmers in the district. Jeremy would like to work in the wider agricultural industry, perhaps as a scientist or as a farm consultant, before going farming.



**Diana Selbie** comes from Five Rivers, Southland, where her family run a sheep and beef farm. She is studying for a Bachelor of Agricultural Science at Lincoln University. As well as working on the family farm, Diana has spent time on other farm types, including a dairy farm and vineyard. As a graduate, Diana would like to work in the agricultural industry, perhaps as a fertiliser rep.



**Simon Topham** grew up on a dairy farm near Invercargill. As well as helping out on the home farm, Simon has worked for other dairy farmers, and has also worked as part of a shearing gang to help fund his studies.

Simon is studying for a Bachelor of Commerce (Agriculture) at Lincoln and intends to continue working in the dairy industry, with the ultimate goal of running his own farm.

In addition to these five scholarships, Ballance has made a special award to Sam Kane, who completed a Bachelor of Commerce at Lincoln University in 2000, then went on to undertake a Masters of Agriculture and Consumer Economics at the University of Illinois.

In the past five years he has worked for the FAO and World Bank as a consultant, and for Mercy Corps International in Mongolia and Africa. He now works as a farm manager in Wanaka and was awarded a place on the 2008 Kellogg Rural Leadership Programme. Ballance has provided Sam with a special scholarship to support the research that he will undertake as part of the Kellogg programme.



## Rebates fair for all

A recent system enhancement has allowed us to modify the way the shareholder rebate is calculated on standard product lines that contain non-rebateable products such as lime and salt. This is to ensure that rebate payments are consistent and fair for all shareholders, and only a small number of products will be affected.

In future (back dated to 1 June 2007) rebate on the following standard product lines will be calculated so that the shareholder rebate will only apply to the tonnage and value of rebateable product content within these standard product lines.

Products this will impact on include Reverted Super, Phoslink (Nutrilink), Maize Triple mix, Ballance Hatuma Dicalcic and Ballance DCP.

For example, Reverted Super is made up of 750 kg superten and 250 kg lime. If a shareholder purchased 100 mt of Reverted Super they would be eligible for a rebate on the 75 mt superten component of the mix.

## Keep your accountant happy

Please remember to keep your rebate and dividend notice each year for your financial records. The shares team currently receives up to 300 requests per month from shareholders' accountants because their notices have been misplaced. These notices are important documents, and should be stored in a safe place.

## Much to learn at conference

We encourage you to attend the ASB Agribusiness Conference, which has grown to become one of the key meetings for the agricultural industry.

Ballance continues to be a leading sponsor of this event because we see it as an opportunity to share knowledge and experiences with other farmers from throughout New Zealand.

'Growing know-how' is one of our core values, and this is a great opportunity for farmers to learn from international and national figures in the sector.

The conference runs 20-23 May 2008 at TSB Arena, Wellington. For more information, phone 0800 272 002 or visit [www.agribusinessconference.co.nz](http://www.agribusinessconference.co.nz)