



Balchem Corporation

Strategically Evolving

2010 Annual Report

COMPANY PROFILE

Founded in 1967, Balchem Corporation provides state-of-the-art solutions and the finest quality products for a range of industries worldwide. The Company consists primarily of three business segments: Food, Pharma and Nutrition; ARC Specialty Products; and Animal Nutrition and Health. Balchem employs numerous technologies and over 300 people worldwide who are engaged in diverse activities, committed to developing the Company into global market leadership positions.

FINANCIAL HIGHLIGHTS 2010

Statement of Operations Data

(In thousands, except per share data)

Year Ended December 31,	2010	2009	2008	2007	2006
Net sales	\$255,071	\$219,438	\$232,050	\$176,201	\$100,905
Earnings before income tax expense	50,131	40,602	28,431	24,829	19,101
Income tax expense	16,854	13,817	9,381	8,711	6,823
Net earnings	33,277	26,785	19,050	16,118	12,278
Basic net earnings per common share*	\$1.19	\$.98	\$.71	\$.61	\$.47
Diluted net earnings per common share*	\$1.12	\$.93	\$.67	\$.58	\$.45

Balance Sheet Data

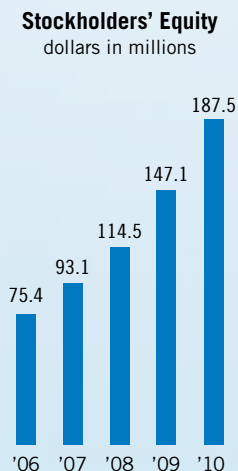
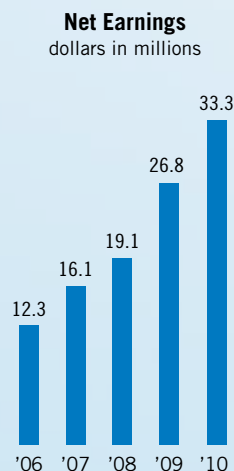
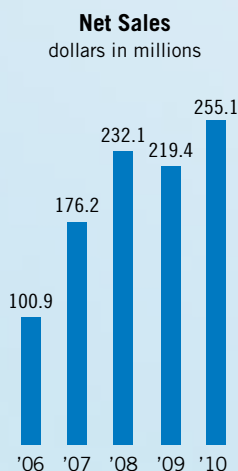
(In thousands, except per share data)

At December 31,	2010	2009	2008	2007	2006
Total assets	\$228,624	\$187,813	\$154,474	\$154,424	\$ 92,333
Long-term debt (including current portion)	4,914	6,783	9,531	24,777	—
Other long-term obligations	2,575	1,825	1,609	1,529	784
Total stockholders' equity	187,467	147,143	114,506	93,080	75,362
Dividends per common share*	\$.15	\$.11	\$.07	\$.07	\$.06

Quarterly Stock Prices

	2010		2009		2008	
	High	Low	High	Low	High	Low
1Q	\$24.97	\$18.27	\$16.75	\$12.60	\$15.56	\$12.70
2Q	26.80	23.38	16.95	15.36	17.63	14.77
3Q	30.87	23.99	18.50	15.67	19.67	16.11
4Q	33.91	29.16	22.86	17.57	17.91	14.11

*Earnings per share and dividend amounts have been adjusted for the December 2009 and 2006 three-for-two stock splits (effected by means of stock dividends).



FOOD, PHARMA AND NUTRITION



A world leader, providing microencapsulation and agglomerated ingredient solutions for food and nutritional wellness. Product applications continue to grow across a broad spectrum of food and nutritional platforms along with exploratory pharmaceutical opportunities.



ANIMAL NUTRITION AND HEALTH

Global leader in the manufacture and marketing of choline chloride—an essential nutrient for certain monogastric (poultry and swine) production animals. Also provides the ruminant animal market with specialty nutritional products derived from our novel encapsulation and chelation technologies, predominantly for dairy cows, boosting health and milk production. Growing alternative applications for choline and derivatives of choline chloride are now also manufactured and sold into numerous industrial applications.



ARC SPECIALTY PRODUCTS



Specializes in re-packaging and distribution of select chemicals, especially 100% ethylene oxide, for use by contract sterilizers of medical devices for the healthcare industry. Re-packaged propylene oxide, for spice and nutmeat fumigation, using returnable, environmentally safe containers, is also proving to be a growth platform.

TO OUR SHAREHOLDERS, CUSTOMERS AND ASSOCIATES:



In 2010, Balchem completed its most successful year ever, with all three business segments experiencing double-digit revenue growth. Leveraging our manufacturing and technology base, developing new products, broadening commercial applications, and executing our strategy, both domestically and abroad, we were able to produce record revenues, cash flow and earnings. Infrastructure capital investments, along with external collaborative research and development efforts, resulted in the launch of several new products and applications across all segments. Last year also marked a new platform of growth for the Company, with sales of industrial applications for choline, choline derivatives, and encapsulated ingredients. These sales grew significantly, positively impacting our financial results, initiating a strategic evolution into growing industrial markets. These industrial applications, primarily in oil and natural gas drilling, along with the acquisition of Aberco in our ARC Specialty Products group, have opened up new markets for existing products. Our Animal Nutrition and Health segment remained the market leader, with increased sales of its specialty encapsulated products and strong growth of choline chloride for animal feed. In our Food, Pharma and Nutrition segment, the development of novel encapsulated technologies for the food industry has resulted in increased penetration into new and traditional markets. Awareness of the benefits of human-grade choline continues to grow worldwide, driving demand in the food, supplement and infant formula markets, further validating our position as a leading wellness provider. We remain committed to building sustainable businesses across all of our platforms through constant innovation and expanding technology solutions.

In 2010, Balchem was once again recognized throughout the business community for our achievements and success. We were ranked number 24 on *Forbes'* list of the **100 Best Small Companies**, with membership based on current and past performance, as well as future growth potential. We were also ranked number 62 on *Fortune Magazine's* **100 Fastest Growing Companies**. This ranking is based on sales and earnings growth over the past three years. We are proud to be honored again for our achievements, and we owe this recognition to the dedication, commitment and hard work of everyone in our organization.

Financial Results

We achieved record sales and profits in 2010. Net sales for the year were \$255.1 million, an increase of 16.2% over 2009 sales of \$219.4 million. Net earnings were a record \$33.3 million, up 24.2% from 2009 earnings of \$26.8 million. Diluted earnings per share in 2010 was \$1.12/share, an increase of 20.4% over \$.93/share in 2009.

Our balance sheet ratios and cash flow remain very strong. We continue to aggressively manage all areas of working capital, which resulted in strong cash flow for the year, with cash increasing by 67%, from \$46 million to \$77 million, while debt was reduced to \$4.9 million. Our cash balance reflects the acquisition of Aberco, and continues to allow us to strategically re-invest in our infrastructure while simultaneously seeking other complimentary acquisitions.

A Year of Operational Excellence

As Balchem grows, we are constantly upgrading our facilities, infrastructure and process controls. Last year marked a record amount of capital investment in our operations, including new technology for next-generation animal health products. This year, we completed an expansion of the human-grade choline process in our Marano, Italy plant. We also have a major expansion slated for early Q2, 2011 at our St. Gabriel, LA plant to meet growing demand for our choline products. Last year also marked the fifth year of our Lean/Six Sigma program and Profit Enhancement Program (PEP). We continue to see operational cost reductions, on a per unit produced basis, through improved process efficiencies and comparative benchmarking across all of our facilities. We have maintained an excellent track record in safety, and last year all of our domestic plants achieved SHARP

status. The SHARP program, recognized by OSHA, focuses on safety and health achievements in the workplace. As a result, our safety Total Recordable Case Rate (TRCR) remained at world-class levels, as we continue to promote a safe work environment for all of our employees.

Innovative Solutions for New Markets

Innovation and collaboration remains an integral part of Balchem's sustainable success. Through focused research and development efforts, collaboration with customers, universities, suppliers, and investment in new technologies, we continue to develop novel solutions across all of our business segments, resulting in new market opportunities, globally. In our Animal Nutrition and Health group, the success of AminoShure®-L, using our proprietary rumen bypass technology, has led to industry development of improved amino acid ration balancing for ruminant production animals, particularly dairy cows. We now expect to launch a new and improved version of this product in 2011, based on our early success. Food, Pharma and Nutrition, building upon our application knowledge in the food and nutrition sectors, launched several new ingredients utilizing our encapsulation technology. We have also developed a new taste masking technology, which shows improved efficacy. Furthermore, building upon our human and animal nutrition technologies and consistent with a growing market demand for "greener" products, we are applying our existing encapsulation technologies to develop new, environmentally friendly, encapsulated products for industrial applications, primarily for oil and natural gas exploration.

Windows of Opportunity

The success of all three Balchem segments in 2010 was a direct result of

executing our business strategy, implementing operational and supply-chain efficiencies, and leveraging our technology and manufacturing base across multiple business platforms. Our strategy is focused on providing innovative, cost-effective solutions in new and existing markets throughout the world.

ARC Specialty Products had another successful year, with 2010 revenues up 16% over the prior year. This increase was largely due to the acquisition of Abcerco, a complimentary acquisition that broadened and opened up a new market for our packaged propylene oxide products for fumigation of nut meats and spices. We experienced a smooth integration with our existing operations, generating synergies positively impacting bottom-line results. Sales of Ethylene Oxide products, used primarily for the sterilization of medical devices, were solid despite some uncertainty in the healthcare market. As the North American leader in the repackaging and distribution of 100% Ethylene Oxide, we expect this business to remain steady into the future, as an aging baby boomer population will continue to drive growth. Although the fruit ripening market has been slow to adopt our new packaged ethylene technology that we introduced this past year, we remain optimistic that this application will have positive impacts in the future.

Animal Nutrition and Health had a very successful year, with sales up 16% and earnings up 13% in 2010. Growth was driven by a continued expansion of our feed grade choline business, double-digit growth for our encapsulated and chelated mineral product lines, and significant expansion into industrial applications with core and new products.

Innovation and collaboration remains an integral part of Balchem's sustainable success.



Sales of our specialty animal nutrition products (ReaShure®, AminoShure®-L, and Chelates), showed nice improvements, particularly in the second half of the year, as economic conditions improved in the dairy industry. We expect global market penetration for these and other specialty animal nutrition products to increase, as we continue to promote their solid value propositions through investments in marketing and research. As a global leader in animal nutrition and health, we are constantly focused on developing impactful new novel products, as well as 2nd generation technologies that can accelerate our reach into these global markets.

We continue to be recognized as the leading global supplier of choline chloride products, providing quality and value-driven solutions. Sales of our feed-grade choline increased last year, as we grew our market share in Europe and selectively penetrated certain export markets. We also saw sales of our industrial choline products increase substantially in 2010,

Our strategy is focused on providing innovative, cost-effective solutions in new and existing markets throughout the world.



as the Company entered a new strategic platform of growth. As we become more knowledgeable of this market, we see the potential for our encapsulation technology within industrial applications to be very promising. We continue to focus on leveraging both technical performance and market drivers, such as the need for “green” technologies, as we begin our expansion into this market segment. Choline continues to be a strategic ingredient for Balchem across all of its platforms, further strengthening our reputation and enabling us to attract world-class talent into our organization.

The Food, Pharma and Nutrition segment had an excellent year, with revenues up nearly 20% over the prior year. We saw market demand for our food and nutritional products increase worldwide, particularly in North America. Our Domestic Food sector experienced double-digit

growth, as we continue to add value and convenience for consumers through solutions that improve shelf life, taste and economics. Utilizing our encapsulation technology, we developed more new functional ingredients for the food industry that we successfully launched last year, providing a new source of growth, gaining market share in traditional food markets. As the global leader of human grade choline, building awareness of its therapeutic benefits is the focal point to growth. We have capitalized on the opportunity to position choline as an essential ingredient to a broader audience by marketing to new food and supplement segments based on specific consumer health benefits. We expect further penetration of our choline products into new markets, as increased awareness and education drives consumer demand worldwide. In our Pharma sector, we have narrowed the commercial scope to utilization of our smooth dissolve technology platform, synergistic with taste masking, in various OTC applications. A partner initiated a Phase III clinical trial for the treatment of autism using our PharmaSure™ technology, and they expect to conclude the trial and receive results in 2011. As a leading wellness provider, we will look to expand into other end-user markets, leveraging our manufacturing and technology base to create innovative solutions.

Continuing to Evolve

Having completed our most successful year ever, we believe our business model continues to remain strong. Ever-increasing new technology has made clear goal-setting more difficult, but we are confident that Balchem is well positioned to fulfill new marketplace challenges. We will continue to build sustainable business

platforms by perpetuating improvements across all product applications. We are excited about the future of our “green” encapsulated ingredients for industrial use, and see this as an additional opportunity to expand Balchem’s presence into new markets. We will push the benefits of our human and animal health products, enhancing our core technologies to develop new, innovative, and “clean label” products. Finally, our excellent balance sheet will allow us to increase core production capabilities and pursue strategic acquisitions to compliment our existing product and technology portfolio. I would like to thank our Board of Directors, employees, customers and shareholders for all their hard work, loyalty and support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dino A. Rossi'. The signature is stylized and fluid.

Dino A. Rossi
*Chairman, President and
Chief Executive Officer*

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

OR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____ .

Commission file number: 1-13648

Balchem Corporation

(Exact name of Registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

13-2578432

(I.R.S. Employer Identification Number)

52 Sunrise Park Road, New Hampton, NY 10958

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (845) 326-5600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Common Stock, par value \$.06-2/3 per share

Name of each exchange on which registered

Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark whether the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one): Large accelerated filer
 Non-accelerated filer

Accelerated filer
Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The aggregate market value of the common stock issued and outstanding and held by non-affiliates of the Registrant, based upon the closing price for the common stock on the NASDAQ Global Market on June 30, 2010 was approximately \$696,500,000. For purposes of this calculation, shares of the Registrant held by directors and officers of the Registrant and under the Registrant's 401(k)/profit sharing plan have been excluded.

The number of shares outstanding of the Registrant's common stock was 28,770,961 as of February 23, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Selected portions of the Registrant's proxy statement for its 2011 Annual Meeting of Stockholders (the "2011 Proxy Statement") to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after Registrant's fiscal year-end of December 31, 2010 are incorporated by reference in Part III of this Report.

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are not statements of historical facts, but rather reflect our current expectations or beliefs concerning future events and results. We generally use the words "believes," "expects," "intends," "plans," "anticipates," "likely," "will" and similar expressions to identify forward-looking statements. Such forward-looking statements, including those concerning our expectations, involve risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The risks, uncertainties and factors that could cause our results to differ materially from our expectations and beliefs include, but are not limited to, those factors set forth in this Annual Report on Form 10-K under "Item 1A. - Risk Factors" below, including the following:

- changes in laws or regulations affecting our operations;
- changes in our business tactics or strategies;
- acquisitions of new or complementary operations;
- sales of any of our existing operations;
- changing market forces or contingencies that necessitate, in our judgment, changes in our plans, strategy or tactics; and
- fluctuations in the investment markets or interest rates, which might materially affect our operations or financial condition.

We cannot assure you that the expectations or beliefs reflected in these forward-looking statements will prove correct. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this Annual Report on Form 10-K and all subsequent written and oral forward-looking statements made by us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained herein.

PART I

Item 1. Business

General:

Balchem Corporation (“Balchem,” the “Company,” “we” or “us”), incorporated in the State of Maryland in 1967, is engaged in the development, manufacture and marketing of specialty performance ingredients and products for the food, nutritional, feed, pharmaceutical and medical sterilization industries. Our reportable segments are strategic businesses that offer products and services to different markets. We presently have three reportable segments: Specialty Products; Food, Pharma & Nutrition; and Animal Nutrition & Health.

The Company sells its products through its own sales force, independent distributors and sales agents. Financial information concerning the Company's business, business segments and geographic information appears in the Notes to our Consolidated Financial Statements included under Item 8 below, which information is incorporated herein by reference.

The Company operates five domestic subsidiaries, all of which are wholly-owned: BCP Ingredients, Inc. (“BCP”), Balchem Minerals Corporation (“BMC”), BCP Saint Gabriel, Inc. (“BCP St. Gabriel”), each a Delaware corporation, Chelated Minerals Corporation (“CMC”), a Utah corporation, and Aberco, Inc. (“Aberco”), a Maryland corporation. We also operate three wholly-owned subsidiaries in

Europe: Balchem BV and Balchem Trading BV, both Dutch limited liability companies, and Balchem Italia Srl, an Italian limited liability company. Unless otherwise stated to the contrary, or unless the context otherwise requires, references to the Company in this report includes Balchem Corporation and its subsidiaries.

Food, Pharma & Nutrition

The Food, Pharma & Nutrition (“FPN”) segment provides microencapsulation solutions to a variety of applications in food, pharmaceutical and nutritional ingredients to enhance performance of nutritional fortification, processing, mixing, and packaging applications and shelf-life. Major product applications are baked goods, refrigerated and frozen dough systems, processed meats, seasoning blends, confections, and nutritional supplements. We also market human grade choline nutrient products through this segment for wellness applications. Choline is recognized to play a key role in the development and structural integrity of brain cell membranes in infants, processing dietary fat, reproductive development and neural functions, such as memory and muscle function. The FPN portfolio also includes a novel smooth dissolve excipient technology, primarily used in chewable tablets or stick-pack dosage forms for nutritional and pharmaceutical products.

Specialty Products

Our Specialty Products segment operates in industry as ARC Specialty Products.

Ethylene oxide, at the 100% level, is sold as a sterilant gas, primarily for use in the health care industry. It is used to sterilize a wide range of medical devices because of its versatility and effectiveness in treating hard or soft surfaces, composites, metals, tubing and different types of plastics without negatively impacting the performance of the device being sterilized. Our 100% ethylene oxide product is distributed in uniquely designed, recyclable, double-walled, stainless steel drums to assure compliance with safety, quality and environmental standards as outlined by the U.S. Environmental Protection Agency (the “EPA”) and the U.S. Department of Transportation (“DOT”). Our inventory of these specially built drums, along with our two filling facilities, represents a significant capital investment. Contract sterilizers, medical device manufacturers, and medical gas distributors are our principal customers for this product. In addition, we also sell single use canisters with 100% ethylene oxide for use in medical device sterilization. As a fumigant, ethylene oxide blends are highly effective in killing bacteria, fungi, and insects in spices and other seasoning materials.

In 2010, the Company acquired Aberco, Inc., a marketer and distributor of propylene oxide. We sell propylene oxide as a fumigant: to aid in the control of insects and microbiological spoilage; to reduce bacterial and mold contamination in shell and processed nut meats (except peanuts), processed spices, cacao beans, cocoa powder, raisins, figs and prunes. We also sell propylene oxide to customers seeking smaller (as opposed to bulk) quantities and whose requirements include utilization in various chemical synthesis applications, to make paints more durable and for manufacturing specialty starches and textile coatings.

Animal Nutrition & Health

Our Animal Nutrition & Health (“AN&H”) segment provides the animal nutrition and health markets with products derived from our microencapsulation, chelation, and basic choline chloride technologies. Commercial sales of REASHURE[®] Choline, a microencapsulated choline, NITROSHURE[™], a microencapsulated urea, and NIASHURE[™], our microencapsulated niacin for dairy cows, boosts health and milk production in transition and lactating dairy cows, delivering nutrient supplements that survive the rumen and are biologically available, providing required nutritional levels. Our AMINOSHURE[®]-L product, the first proven rumen-protected lysine for use in dairy rations, gives nutritionists and dairy producers a precise and consistent source of rumen-protected lysine. We also market chelated mineral supplements for use in animal feed throughout the world, as our proprietary chelation technology provides enhanced nutrient absorption for various species of production and companion animals. AN&H also manufactures and supplies basic choline chloride, an essential nutrient for animal health, predominantly to

the poultry and swine industries. Choline, a vitamin B complex, which is manufactured and sold in both dry and aqueous forms, plays a vital role in the metabolism of production animals and deficiency can result in reduced growth and perosis in poultry; fatty liver, kidney necrosis and general poor health in swine. The ANH segment also includes choline and certain derivatives manufactured and sold into various industrial applications, predominately as a component for hydraulic fracturing of shale natural gas wells, and methylamines which are a primary building block for the manufacture of choline products and are also used in a wide range of industrial applications.

Raw Materials

The raw materials utilized by the Company in the manufacture of its products are generally available from a number of commercial sources. Such raw materials include materials derived from petrochemicals, minerals, metals and other readily available commodities and are subject to price fluctuations due to market conditions. The Company is not experiencing any current difficulties in procuring such materials and does not anticipate any such problems; however, the Company cannot assure that will always be the case.

Intellectual Property

The Company currently holds 15 patents in the United States and overseas and uses certain trade-names and trademarks. It also uses know-how, trade secrets, formulae, and manufacturing techniques that assist in maintaining competitive positions of certain of its products. Formulae and know-how are of particular importance in the manufacture of a number of the Company's proprietary products. The Company believes that certain of its patents, in the aggregate, are advantageous to its business. However, it is believed that no single patent or related group of patents is currently so material to the Company that the expiration or termination of any single patent or group of patents would materially affect its business. Our U.S. patents will expire between 2011 and 2024. The Company believes that its sales and competitive position are dependent primarily upon the quality of its products, technical sales efforts and market conditions, rather than on any patent protection.

Seasonality

In general, the businesses of our segments are not seasonal to any material extent.

Backlog

At December 31, 2010, the Company had a total backlog of \$12,949,000 (including \$9,218,000 for the AN&H segment; \$2,954,000 for the FPN segment and \$777,000 for Specialty Products segment), as compared to a total backlog of \$6,525,000 at December 31, 2009 (including \$4,100,000 for the AN&H segment; \$1,622,000 for the FPN segment and \$803,000 for Specialty Products segment). It has generally been the Company's policy and practice to maintain an inventory of finished products and/or component materials for its segments to enable it to ship products within two months after receipt of a product order. All orders in the current backlog are expected to be filled in the 2011 fiscal year.

Competition

The Company's competitors include many large and small companies, some of which have greater financial, research and development, production and other resources than the Company. Competition in the encapsulation markets served by the Company is based primarily on product performance, customer support, quality, service and price. The development of new and improved products is important to the Company's success. This competitive environment requires substantial investments in product and manufacturing process research and development. In addition, the winning and retention of customer acceptance of the Company's food and nutrition products involve substantial expenditures for application testing, either internally or at customer/prospect sites, and sales efforts. Our competition in this market includes a variety of ingredient and nutritional supplement companies many of which are privately-

held. Therefore, it is difficult to assess the size of all of our segment competitors or where we rank in comparison to such privately-held competitors.

In the specialty products segment, the Company faces competition from alternative sterilizing technologies and products. Competition in this marketplace is based primarily on medical device compositions, product performance, customer support, quality, service and price. Our competition in this market includes sterilization companies a number of which are privately-held. Therefore, we are unable to assess the size of all of our competitors or where we rank in comparison to such privately-held competitors. We are focused on the North American market due to EPA/FDA and DOT regulations that are not yet required globally.

Competition in the animal feed markets served by the Company is based primarily on quality, service and price. The markets for our products are subject to competitive risks because these markets are highly price competitive, and any change in price could impact sales and possibly profits. Our competition in this market includes a variety of animal nutrition and health ingredient and nutritional companies many of which are privately-held. Therefore, we are unable to assess the size of all of our competitors or where we rank in comparison to such privately-held competitors.

Research & Development

During the years ended December 31, 2010, 2009 and 2008, the Company incurred research and development expense of approximately \$3.2 million, \$3.3 million and \$2.9 million, respectively, on Company-sponsored research and development for new products and improvements to existing products and manufacturing processes, principally in the FPN and AN&H segments. During the year ended December 31, 2010, an average of 18 employees were devoted full time to research and development activities. The Company has historically funded its research and development programs with funds available from current operations with the intent of recovering those costs from profits derived from future sales of products resulting from, or enhanced by, the research and development effort.

The Company prioritizes its product development activities in an effort to allocate resources to those product candidates, that the Company believes, have the greatest commercial potential. Factors considered by the Company in determining the products to pursue include projected markets and needs, status of its proprietary rights, technical feasibility, expected and known product attributes, and estimated costs to bring the product to market.

Acquisitions, Dispositions, and Capital Projects

In June of 2010, pursuant to a stock purchase agreement, the Company acquired the capital stock of Aberco, Inc, a Maryland Corporation, a marketer and distributor of propylene oxide for use as a fumigant.

Capital expenditures were approximately \$7.6 million for 2010, as compared to \$3.4 million in 2009. Capital expenditures are projected to range from \$8.0 million to \$9.0 million for 2011.

Environmental / Regulatory Matters

FIFRA, a health and safety statute, requires that certain products within our specialty products segment must be registered with the EPA because they are considered pesticides. In order to obtain a registration, an applicant typically must demonstrate, through extensive test data, that its product will not cause unreasonable adverse effects on the environment. We hold EPA registrations permitting us to sell ethylene oxide as a medical device sterilant and spice fumigant and propylene oxide as a fumigant of nuts and spices. The EPA has recently completed the process of reregistering these products' uses in compliance with FIFRA reregistration requirements for pesticide products.

With respect to the treatment of spices with ethylene oxide, the EPA prohibited its use for the treatment of basil, effective August 1, 2007, but allows the continuing use of ethylene oxide to treat all

other spices, provided a mandated treatment method is used beginning August 1, 2008. During 2009, the EPA mandated that a toxicity study be performed on ethylene chlorohydrin, which is a “residue of concern,” according to the EPA. This study is being financed by an industry trade association of which we are a member. The study is not expected to be completed until late 2011 or 2012. At this time, we do not anticipate there will be a further impact on the use or limitation of ethylene oxide to treat spices.

Another area of the EPA’s reregistration effort for ethylene oxide resulted in the April 16, 2008 issuance of the RED (Reregistration Eligibility Decision) for ethylene oxide which permits the continued use of ethylene oxide “to sterilize medical or laboratory equipment, pharmaceuticals, and aseptic packaging, or to reduce microbial load on musical instruments, cosmetics, whole and ground spices and other seasoning materials and artifacts, archival material or library objects.” Given that “the database to support reregistration is substantially complete,” our reregistration effort is similarly substantially completed, which will continue to authorize our ethylene oxide product sales for medical device sterilization. While the EPA may request additional testing, we believe that the use of ethylene oxide will continue to be permitted. The product, when used as a sterilant for certain medical devices, has no known equally effective substitute. Management believes absence of availability of this product could not be easily tolerated by various medical device manufacturers or the health care industry due to the resultant infection potential.

Similarly, the EPA issued a RED for propylene oxide in August 2006. At that time, the EPA “determined that products containing the active ingredient PPO [propylene oxide] are eligible for reregistration provided that...risk mitigation measures...are adopted.” Our product label was amended as required to reflect these mitigation measures and also to show that propylene oxide has been reclassified as a restricted use pesticide. In the RED, the EPA also stated that the “generic database supporting the reregistration of PPO has been reviewed and determined to be substantially complete.”

The State of California lists 100% ethylene oxide, when used as a sterilant or fumigant, as a carcinogen and reproductive toxin under California's Proposition 65 (Safe Drinking Water and Toxic Enforcement Act of 1986). As a result, the Company is required to provide a prescribed warning to any person in California who may be exposed to this product. Failure to provide such warning would result in liability of up to \$2,500 per day per person exposed.

The Company’s facility in Verona, Missouri, while held by a prior owner, was designated by the EPA as a Superfund site and placed on the National Priorities List in 1983, because of dioxin contamination on portions of the site. Remediation conducted by the prior owner under the oversight of the EPA and the Missouri Department of Natural Resources (“MDNR”) included removal of dioxin contaminated soil and equipment, capping of areas of residual contamination in four relatively small areas of the site separate from the manufacturing facilities, and the installation of wells to monitor groundwater and surface water for contamination for certain organic chemicals. No ground water or surface water treatment has been required. In 1998, the EPA certified the work on the contaminated soils to be complete. In February 2000, after the conclusion of two years of monitoring groundwater and surface water, the former owner submitted a draft third party risk assessment report to the EPA and MDNR recommending no further action. The prior owner is awaiting the response of the EPA and MDNR to the draft risk assessment.

While the Company must maintain the integrity of the capped areas in the remediation areas on the site, the prior owner is responsible for completion of any further Superfund remedy. The Company is indemnified by the sellers under its May 2001 asset purchase agreement covering its acquisition of the Verona facility for potential liabilities associated with the Superfund site and one of the sellers, in turn, has the benefit of certain contractual indemnification by the prior owner that executed the above-described Superfund remedy.

In connection with normal operations at its plant facilities, the Company is required to maintain environmental and other permits, including those relating to the ethylene oxide operations.

The Company believes it is in compliance in all material respects with federal, state, local and international provisions that have been enacted or adopted regulating the discharge of materials into the environment or otherwise relating to the protection of the environment. Such compliance includes the maintenance of required permits under air pollution regulations and compliance with requirements of the Occupational Safety and Health Administration. The cost of such compliance has not had a material effect upon the results of operations or financial condition of the Company. In 1982, the Company discovered and thereafter removed a number of buried drums containing unidentified waste material from the Company's site in Slate Hill, New York. The Company thereafter entered into a Consent Decree to evaluate the drum site with the New York Department of Environmental Conservation ("NYDEC") and performed a Remedial Investigation/Feasibility Study that was approved by NYDEC in February 1994. Based on NYDEC requirements, the Company remediated the area and removed soil from the drum burial site. This proceeding has been substantially completed (see Item 3).

The Channahon, Illinois manufacturing facility manufactures a calcium carbonate line of pharmaceutical grade ingredients. This facility is registered with the United States Food and Drug Administration ("FDA") as a drug manufacturing facility. The Company expects to terminate its lease and cease operations at this facility, effective June 30, 2011. We will continue to produce products which are required to be manufactured in conformity with current Good Manufacturing Practice (cGMP) regulations as interpreted and enforced by the FDA. Modifications, enhancements or changes in manufacturing facilities or procedures of our pharmaceutical products are, in many circumstances, subject to FDA approval, which may be subject to a lengthy application process or which we may be unable to obtain. We are periodically subject to inspection by the FDA and other governmental agencies, and operations at these facilities could be interrupted or halted if the results of these inspections are unsatisfactory.

Employees

As of January 31, 2011, the Company employed approximately 351 persons. Approximately 79 employees at our Marano, Ticino, Italy facility are covered by a national collective bargaining agreement, which expires in 2012. Approximately 58 employees at the Company's Verona, Missouri facility are covered by a collective bargaining agreement, which expires in 2012.

Available Information

The Company's headquarters is located at 52 Sunrise Park Road, New Hampton, NY 10958. The Company's telephone number is (845) 326-5600 and its Internet website address is www.balchem.com. The Company makes available through its website, free of charge, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to such reports, as soon as reasonably practicable after they have been electronically filed with the Securities and Exchange Commission. Such reports are available via a link from the Investor Information page on the Company's website to a list of the Company's reports on the Securities and Exchange Commission's EDGAR website.

Item 1A. Risk Factors

Our business involves a high degree of risk and uncertainty, including the following risks and uncertainties:

Our operating results may be adversely impacted by macro-economic uncertainties and fears.

Recent worldwide economic conditions and the potential for a sluggish economic recovery, if any, continues to impact the markets in which we operate. These conditions make it extremely difficult for our customers, our vendors and us to accurately forecast and plan future business activities, and they could cause U.S. and foreign businesses to slow spending on our products which would reduce our revenues and profitability. Furthermore, during challenging economic times our customers may face issues gaining timely access to sufficient credit, which could result in an impairment of their ability to make timely payments to us. If that were to occur, we may be required to increase our allowance for doubtful accounts and our days sales outstanding would be negatively impacted. We cannot predict the timing, depth or

duration of any economic slowdown or subsequent economic recovery, worldwide, or in the markets in which we operate. Also, at any point in time we have funds in our cash accounts that are with third party financial institutions. These balances in the U.S. may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. While we monitor the cash balances in our accounts, these balances could be impacted if the underlying financial institutions fail or could be subject to other adverse conditions in the financial markets.

Increased competition could hurt our business and financial results.

We face competition in our markets from a number of large and small companies, some of which have greater financial, research and development, production and other resources than we do. Our competitive position is based principally on performance, quality, customer support, service, breadth of product line, manufacturing or packaging technology and the selling prices of our products. Our competitors might be expected to improve the design and performance of their products and to introduce new products with competitive price and performance characteristics. We expect to do the same to maintain our current competitive position and market share.

The loss of governmental permits and approvals would materially harm some of our businesses.

Pursuant to applicable environmental and safety laws and regulations, we are required to obtain and maintain certain governmental permits and approvals, including EPA registrations under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) for two of our products. We maintain EPA FIFRA registrations for ethylene oxide as a medical device sterilant and spice fumigant and for propylene oxide as a fumigant of nuts and spices. The EPA has issued Re-registration Eligibility Decisions for both products in recent years and these uses have been approved for the time being. The EPA may re-examine the registrations in the future in accordance with the provisions of FIFRA. Any future failure of the EPA to allow reregistration of ethylene oxide or propylene oxide would have a material adverse effect on our business and financial results.

As of June 30, 2011, we expect to no longer operate a manufacturing facility registered with the FDA as a drug manufacturing facility. Commercial supply of pharmaceutical products that we may develop, subject to cGMP manufacturing regulations, will be performed by third-party cGMP manufacturers. Modifications, enhancements or changes in third-party manufacturing facilities or procedures of our pharmaceutical products are, in many circumstances, subject to FDA approval, which may be subject to a lengthy application process or which we may be unable to obtain. Any third-party cGMP manufacturers that we may use are periodically subject to inspection by the FDA and other governmental agencies, and operations at these facilities could be interrupted or halted if the results of these inspections are unsatisfactory. Failure to comply with the FDA or other governmental regulations can result in fines, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production, enforcement actions, injunctions and criminal prosecution, which could have a material adverse effect on our business and financial results.

Permits and approvals may be subject to revocation, modification or denial under certain circumstances. Our operations or activities (including the status of compliance by the prior owner of the Verona, Missouri facility under Superfund remediation) could result in administrative or private actions, revocation of required permits or licenses, or fines, penalties or damages, which could have an adverse effect on us. In addition, we cannot predict the extent to which any legislation or regulation may affect the market for our products or our cost of doing business.

Raw material shortages or price increases could adversely affect our business and financial results.

The principal raw materials that we use in the manufacture of our products can be subject to price fluctuations due to market conditions. Such raw materials include materials derived from petrochemicals, minerals, metals and other commodities. While the selling prices of our products tend to increase or decrease over time with the cost of raw materials, these changes may not occur simultaneously or to the

same degree. At times, we may be unable to pass increases in raw material costs through to our customers due to certain contractual obligations. Such increases in the price of raw materials, if not offset by product price increases, or substitute raw materials, would have an adverse impact on our profitability. We believe we have reliable sources of supply for our raw materials under normal market conditions. We cannot, however, predict the likelihood or impact of any future raw material shortages. Any shortages could have a material adverse impact on our results of operations.

Our financial success depends in part on the reliability and sufficiency of our manufacturing facilities.

Our revenues depend on the effective operation of our manufacturing, packaging, and processing facilities. The operation of our facilities involves risks, including the breakdown, failure, or substandard performance of equipment, power outages, the improper installation or operation of equipment, explosions, fires, natural disasters, failure to achieve or maintain safety or quality standards, work stoppages, supply or logistical outages, and the need to comply with environmental and other directives of governmental agencies. The occurrence of material operational problems, including, but not limited to, the above events, could adversely affect our profitability during the period of such operational difficulties.

Our business exposes us to potential product liability claims and recalls, which could adversely impact our financial condition and performance.

Our development, manufacture and sales of food ingredient, pharmaceutical and nutritional supplement products involve an inherent risk of exposure to product liability claims, product recalls, product seizures and related adverse publicity. A product liability judgment against us could also result in substantial and unexpected expenditures, affect consumer confidence in our products, and divert management's attention from other responsibilities. Although we maintain product liability insurance coverage in amounts we believe are customary within the industry, there can be no assurance that this level of coverage is adequate or that we will be able to continue to maintain our existing insurance or obtain comparable insurance at a reasonable cost, if at all. A product recall or a partially or completely uninsured judgment against us could have a material adverse effect on results of operations and financial condition.

We face risks associated with our sales to customers and manufacturing operations outside the United States.

For the year ended December 31, 2010, approximately 33% of our net sales consisted of sales outside the United States. In addition, we conduct a portion of our manufacturing outside the United States. International sales are subject to inherent risks. The majority of our foreign sales occur through our foreign subsidiaries and the remainder of our foreign sales result from exports to foreign distributors, resellers and customers. Our foreign sales and operations are subject to a number of risks, including: longer accounts receivable collection periods; the impact of recessions and other economic conditions in economies outside the United States; export duties and quotas; unexpected changes in regulatory requirements; certification requirements; environmental regulations; reduced protection for intellectual property rights in some countries; potentially adverse tax consequences; political and economic instability; and preference for locally produced products. These factors could have a material adverse impact on our ability to increase or maintain our international sales.

We may, from time to time, experience problems in our labor relations.

In North America, approximately 57 employees, or 21% of our North American workforce, as of December 31, 2010, are represented by a union under a single collective bargaining agreement. This agreement expires in 2012. In Europe, approximately 79 employees are covered by a collective bargaining agreement. This agreement expires in 2012. We believe that our present labor relations with all of our unionized employees are satisfactory, however, our failure to renew these agreements on reasonable terms could result in labor disruptions and increased labor costs, which could adversely affect our financial performance. Similarly, if our relations with the unionized portion of our workforce do not remain positive, such employees could initiate a strike, work stoppage or slowdown in the future. In the event of

such an action, we may not be able to adequately meet the needs of our customers using our remaining workforce and our operations and financial condition could be adversely affected.

Our international operations subject us to currency translation risk and currency transaction risk which could cause our results to fluctuate from period to period.

The financial condition and results of operations of our foreign subsidiaries are reported in Euros and then translated into U.S. dollars at the applicable currency exchange rate for inclusion in our consolidated financial statements. Exchange rates between these currencies in recent years have fluctuated significantly and may do so in the future. Furthermore, we incur currency transaction risk whenever we enter into either a purchase or a sales transaction using a currency different than the functional currency. Given the volatility of exchange rates, we may not be able to effectively manage our currency transactions and/or translation risks. Volatility in currency exchange rates could impact our business and financial results.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

In February 2002, the Company entered into a ten (10) year lease for approximately 20,000 square feet of office space in New Hampton, New York. The office space is serving as the Company's general offices and as laboratory facilities for the Company's encapsulated / nutritional products business.

Manufacturing facilities owned by the Company for its encapsulated products business and a blending, drumming and terminal facility for the Company's ethylene oxide business, are presently housed in three buildings located in Slate Hill, New York comprising a total of approximately 51,000 square feet. The Company owns a total of approximately 16 acres of land on two parcels in this community.

The Company owns a facility located on an approximately 24 acre parcel of land in Green Pond, South Carolina. The site consists of a drumming facility, a canister filling facility, a maintenance building and an office building comprising a total of approximately 34,000 square feet. The Company uses this site for repackaging products in its specialty products segment.

The Company's Verona, Missouri site, which is located on approximately 100 acres, consists of manufacturing facilities relating to animal feed grade choline, human choline nutrients, a drumming facility for the Company's ethylene oxide business, together with buildings utilized for warehousing such products. The Verona operation buildings comprise a total of approximately 151,000 square feet. The facility, while under prior ownership, was designated by the EPA as a Superfund site (see Item 1 – "Business - Environmental / Regulatory Matters").

The Company leases production and warehouse space in Channahon, Illinois. The Company expects to terminate its lease at this location effective June 30, 2011.

CMC owns a manufacturing facility and warehouse, comprising approximately 16,500 square feet, located on approximately 5 acres of land in Salt Lake City, Utah. The Company manufactures and distributes its chelated mineral nutrients for animal feed products at this location.

BCP owns a manufacturing facility located upon approximately 11 acres of leased realty in St. Gabriel, Louisiana. The Company manufactures and distributes animal feed grade choline chloride at this location.

Balchem Italia Srl owns a facility located on an approximately 30 acre parcel of land in Marano Ticino, Italy. The Company manufactures and distributes methylamines, animal, human and industrial grade choline at this location.

Item 3. Legal Proceedings

In 1982 the Company discovered and thereafter removed a number of buried drums containing unidentified waste material from the Company's site in Slate Hill, New York. The Company thereafter entered into a Consent Decree to evaluate the drum site with the New York Department of Environmental Conservation ("NYDEC") and performed a Remedial Investigation/Feasibility Study that was approved by NYDEC in February 1994. Based on NYDEC requirements, the Company remediated the area and removed soil from the drum burial site. Clean-up was completed in 1996, and NYDEC required the Company to monitor the site through 1999. The Company continues to be involved in discussions with NYDEC to evaluate monitoring results and determine what, if any, additional actions will be required on the part of the Company to close out the remediation of this site. Additional actions, if any, would likely require the Company to continue monitoring the site. The cost of such monitoring has recently been less than \$5,000 per year.

The Company is also involved in other legal proceedings through the normal course of business. Management believes that any unfavorable outcome related to these proceedings will not have a material effect on the Company's financial position, results of operations or liquidity.

Item 4. Reserved.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Market Information.

On December 11, 2009, the Board of Directors of the Company approved a three-for-two split of the Company's common stock to be effected in the form of a stock dividend to shareholders of record on December 30, 2009. Such stock dividend was made on January 20, 2010. The stock split was recognized by reclassifying the par value of the additional shares resulting from the split, from additional paid-in capital to common stock. The stock split was applied retroactively to all periods presented.

The high and low closing prices for the common stock as recorded for each quarterly period during the years ended December 31, 2010 and 2009 were as follows:

Quarterly Period	High	Low
Ended March 31, 2010	\$ 24.97	\$ 18.27
Ended June 30, 2010	26.80	23.38
Ended September 30, 2010	30.87	23.99
Ended December 31, 2010	33.91	29.16

Quarterly Period	High	Low
Ended March 31, 2009	\$ 16.75	\$ 12.60
Ended June 30, 2009	16.95	15.36
Ended September 30, 2009	18.50	15.67
Ended December 31, 2009	22.86	17.57

On February 23, 2011 the closing price for the common stock on the Nasdaq Global Market was \$33.52.

(b) Record Holders.

As of February 23, 2011, the approximate number of holders of record of the Company's common stock was 168. Such number does not include stockholders who hold their stock in street name. As of February 23, 2011, the total number of beneficial owners of the Company's common stock is estimated to be approximately 14,807.

(c) Dividends.

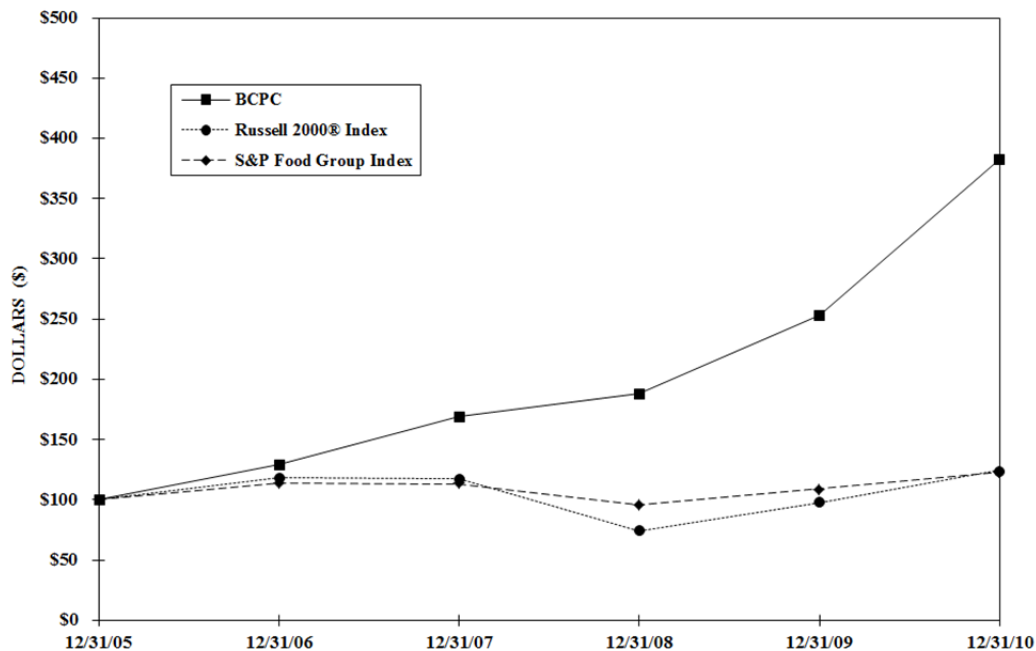
The Company declared cash dividends of \$0.15 and \$0.11 per share on its common stock during its fiscal years ended December 31, 2010 and 2009, respectively (after giving effect to the December 2009 three-for-two stock split).

(d) Securities Authorized for Issuance Under Equity Compensation Plans.

For information concerning prior stockholder approval of and other matters relating to our equity incentive plans, see Item 12 in this Annual Report on Form 10-K.

(e) Performance Graph.

The graph below sets forth the cumulative total stockholder return on the Company's Common Stock (referred to in the table as "BCPC") for the five years ended December 31, 2010, the overall stock market return during such period for shares comprising the Russell 2000® Index (which the Company believes includes companies with market capitalization similar to that of the Company), and the overall stock market return during such period for shares comprising the Standard & Poor's 500 Food Group Index, in each case assuming a comparable initial investment of \$100 on December 31, 2005 and the subsequent reinvestment of dividends. The Russell 2000® Index measures the performance of the shares of the 2000 smallest companies included in the Russell 3000® Index. In light of the Company's industry segments, the Company does not believe that published industry-specific indices are necessarily representative of stocks comparable to the Company. Nevertheless, the Company considers the Standard & Poor's 500 Food Group Index to be potentially useful as a peer group index with respect to the Company in light of the Company's Food, Pharma & Nutrition segment. The performance of the Company's Common Stock shown on the graph below is historical only and not indicative of future performance.



Item 6. Selected Financial Data

The selected statements of operations data set forth below for the three years in the period ended December 31, 2010 and the selected balance sheet data as of December 31, 2010 and 2009 have been derived from our Consolidated Financial Statements included elsewhere herein. The selected financial data as of December 31, 2008, 2007 and 2006 and for the years ended December 31, 2007 and 2006 have been derived from audited Consolidated Financial Statements not included herein, but which were previously filed with the SEC. The following information should be read in conjunction with Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Financial Statements and notes thereto included elsewhere herein.

Earnings per share and dividend amounts have been adjusted for the December 2009 and 2006 three-for-two stock splits (effected by means of stock dividends).

(In thousands, except per share data)

Year ended December 31,	2010	2009	2008	2007	2006
	(1)(2)(3)	(1)(2)(3)	(1)(2)(3)	(1)(2)(3)	(1)
<u>Statement of Operations Data</u>					
Net sales	\$ 255,071	\$ 219,438	\$ 232,050	\$ 176,201	\$ 100,905
Earnings before income tax expense	50,131	40,602	28,431	24,829	19,101
Income tax expense	16,854	13,817	9,381	8,711	6,823
Net earnings	33,277	26,785	19,050	16,118	12,278
Basic net earnings per common share	\$ 1.19	\$.98	\$.71	\$.61	\$.47
Diluted net earnings per common share	\$ 1.12	\$.93	\$.67	\$.58	\$.45
<u>Balance Sheet Data</u>					
Total assets	\$ 228,624	\$ 187,813	\$ 154,474	\$ 154,424	\$ 92,333
Long-term debt (including current portion)	4,914	6,783	9,531	24,777	-
Other long-term obligations	2,575	1,825	1,609	1,529	784
Total stockholders’ equity	187,467	147,143	114,506	93,080	75,362
Dividends per common share	\$.15	\$.11	\$.07	\$.07	\$.06

- (1) Includes the operating results, cash flows, and assets relating to the CMC Acquisition from the date of acquisition (February 8, 2006) forward.
- (2) Includes the operating results, cash flows, and assets relating to the Chinook Acquisition from the date of acquisition (March 19, 2007) forward.
- (3) Includes the operating results, cash flows, and assets relating to the Akzo Nobel Acquisition from the date of acquisition (May 1, 2007) forward.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We develop, manufacture, distribute and market specialty performance ingredients and products for the food, nutritional, pharmaceutical, animal health and medical device sterilization industries. Our reportable segments are strategic businesses that offer industrial products and services to different markets. We presently have three reportable segments: Specialty Products; Food, Pharma & Nutrition; and Animal Nutrition & Health.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Item 6 — “Selected Financial Data” and our Consolidated Financial Statements and the related notes included in this report. Those statements in the following discussion that are not historical in nature should be considered to be forward-looking statements that are inherently uncertain. See “Cautionary Statement Regarding Forward-Looking Statements.”

Specialty Products

Our Specialty Products segment operates in industry as ARC Specialty Products.

Ethylene oxide, at the 100% level, is sold as a sterilant gas, primarily for use in the health care industry. It is used to sterilize a wide range of medical devices because of its versatility and effectiveness in treating hard or soft surfaces, composites, metals, tubing and different types of plastics without negatively impacting the performance of the device being sterilized. Our 100% ethylene oxide product is distributed in uniquely designed, recyclable, double-walled, stainless steel drums to assure compliance with safety, quality and environmental standards as outlined the EPA and the U.S. Department of Transportation. Our inventory of these specially built drums, along with our two filling facilities, represents a significant capital investment. Contract sterilizers, medical device manufacturers, and medical gas distributors are our principal customers for this product. In addition, we also sell single use canisters with 100% ethylene oxide for use in medical device sterilization. As a fumigant, ethylene oxide blends are highly effective in killing bacteria, fungi, and insects in spices and other seasoning materials.

In 2010, the Company acquired Aberco, Inc., a marketer and distributor of propylene oxide. We sell propylene oxide as a fumigant: to aid in the control of insects and microbiological spoilage; and to reduce bacterial and mold contamination in shell and processed nut meats (except peanuts), processed spices, cacao beans, cocoa powder, raisins, figs and prunes. We also sell propylene oxide to customers seeking smaller (as opposed to bulk) quantities and whose requirements include utilization in various chemical synthesis applications, to make paints more durable and for manufacturing specialty starches and textile coatings.

Management believes that future success in this segment is highly dependent on the Company’s ability to maintain its strong reputation for excellent quality, safety and customer service.

Food, Pharma & Nutrition

The Food, Pharma & Nutrition (“FPN”) segment provides microencapsulation solutions to a variety of applications in food, pharmaceutical and nutritional ingredients to enhance performance of nutritional fortification, processing, mixing, and packaging applications and shelf-life. Major product applications are baked goods, refrigerated and frozen dough systems, processed meats, seasoning blends, confections, and nutritional supplements. We also market human grade choline nutrient products through this segment for wellness applications. Choline is recognized to play a key role in the development and structural integrity of brain cell membranes in infants, processing dietary fat, reproductive development and neural functions, such as memory and muscle function. The FPN portfolio also includes granulated calcium carbonate products, primarily used in, or in conjunction with, novel over-the-counter and prescription pharmaceuticals for the treatment of osteoporosis, gastric disorders and calcium deficiencies in the United States.

Management believes this segment’s key strengths are its proprietary technology and end-product application capabilities. The success of the Company’s efforts to increase revenue in this segment is highly dependent on the timing of marketing launches of new products in the U.S. and international food and nutrition markets by the Company’s customers and prospects. The Company, through its innovative proprietary technology and applications expertise, continues to develop new products designed to solve and respond to customer problems and innovative needs.

Animal Nutrition & Health

Our Animal Nutrition & Health (“AN&H”) segment provides the animal nutrition market with nutritional products derived from our microencapsulation and chelation technologies in addition to basic choline chloride. Commercial sales of REASHURE® Choline, an encapsulated choline product, NITROSHURE™, an encapsulated urea supplement, and NIASHURE™, our microencapsulated niacin product for dairy cows, boosts health and milk production in transition and lactating dairy cows, delivering nutrient supplements that survive the rumen and are biologically available, providing required nutritional levels. We also market chelated mineral supplements for use in animal feed throughout the world, as our proprietary chelation technology provides enhanced nutrient absorption for various species of production and companion animals. In October 2008, we introduced the first proven rumen-protected lysine for use in dairy rations, AMINOSHURE®-L, which gives nutritionists and dairy producers a precise and consistent source of rumen-protected lysine. AN&H also manufactures and supplies basic choline chloride, an essential nutrient for animal health, predominantly to the poultry and swine industries. Choline, which is manufactured and sold in both dry and aqueous forms, plays a vital role in the metabolism of fat. Choline deficiency can result in reduced growth and perosis in poultry; fatty liver, kidney necrosis and general poor health condition in swine. Certain derivatives of choline chloride are also manufactured and sold into industrial applications. The AN&H segment also includes the manufacture and sale of methylamines. Methylamines are a primary building block for the manufacture of choline products and are also used in a wide range of industrial applications.

Sales of specialty products for the animal nutrition and health industry are highly dependent on dairy industry economics as well as the ability of the Company to leverage the results of existing successful university research on the animal health benefits of the Company’s products. Management believes that success in the commodity-oriented basic choline chloride marketplace is highly dependent on the Company’s ability to maintain its strong reputation for excellent product quality and customer service. In addition, the Company must continue to increase production efficiencies in order to maintain its low-cost position to effectively compete in a highly competitive global marketplace.

The Company sells products for all three segments through its own sales force, independent distributors, and sales agents.

The following tables summarize consolidated net sales by segment and business segment earnings from operations for the three years ended December 31, 2010, 2009 and 2008 (in thousands):

Business Segment Net Sales:

	2010	2009	2008
Specialty Products	\$ 42,239	\$ 36,368	\$ 35,835
Food, Pharma & Nutrition	41,994	35,407	35,702
Animal Nutrition & Health	170,838	147,663	160,513
Total	\$ 255,071	\$ 219,438	\$ 232,050

Business Segment Earnings From Operations:

	2010	2009	2008
Specialty Products	\$ 15,944	\$ 14,250	\$ 12,545
Food, Pharma & Nutrition	9,748	5,029	5,469
Animal Nutrition & Health	24,078	21,380	11,334
Total	\$ 49,770	\$ 40,659	\$ 29,348

Fiscal Year 2010 compared to Fiscal Year 2009

(All amounts in thousands, except share and per share data)

Net Sales

Net sales for 2010 were \$255,071, as compared with \$219,438 for 2009, an increase of \$35,633 or 16.2%. Net sales for the Specialty Products segment were \$42,239 for 2010, as compared with \$36,368 for 2009, an increase of \$5,871 or 16.1%. This increase in sales was derived principally from an increase in volumes sold of propylene oxide products, a result of our recent acquisition of a marketer and distributor of propylene oxide for use in the fumigation of certain nut meats and spice fumigation, along with modest price increases for our ethylene oxide products for medical device sterilization. Net sales for the Food, Pharma & Nutrition segment were \$41,994 for 2010 compared with \$35,407 for 2009, an increase of \$6,587 or 18.6%. This result was driven principally by a volume increase in the domestic food sector, primarily due to higher volumes of encapsulated ingredients for baking, preservation and confection markets. Also contributing to the increase was higher sales of human choline products for both food applications and the supplement markets. These increases were partially offset by lower sales of calcium products and Vitashure[®] products for nutritional enhancement. Net sales of \$170,838 were realized for 2010 for the Animal Nutrition & Health segment, as compared with \$147,663 for the prior year comparable period, an increase of \$23,175 or 15.7%. Global feed grade choline product sales improved by approximately 1%. Sales within North America improved approximately 3% over the prior year however, overall North American produced feed grade choline declined in the year. Exports of liquid and dry choline from our North American plants declined largely due to currency issues and, in combination with global competition, resulted in our declining to bid on certain international business. Sales of our Italian produced choline sold into markets outside of North America improved approximately 6.4% over the prior year. The ANH specialty ingredients, largely targeted to the ruminant and companion animal markets, realized 16.0% sales growth from the prior year comparable quarter, as some regional improvement in dairy economics supported greater demand for these products, particularly with strong sales of Reashure[®], chelated minerals and Aminoshure-L[®], our rumen protected lysine. Sales of industrial grade products being sold for various industrial applications, predominantly in North America, but also in Europe realized significant growth from the prior year and comprise approximately 26% of the sales in this segment for the year.

Gross Margin

Gross margin for 2010 increased to \$78,037 compared to \$66,958 for 2009, an increase of 16.5%. Gross margin percentage for 2010 was 30.6%, as compared to 30.5% for the prior year comparable period, as the benefits of increased sales volumes were offset primarily by higher petro-chemical based raw material costs. Gross margin percentage for the Specialty Products segment decreased by 1.7% primarily due to the aforementioned higher petro-chemical based raw material costs. Gross margin percentage in the Food, Pharma & Nutrition segment increased by 7.7%, as margins were favorably affected by increased sales volumes, improved product mix and plant efficiencies. Gross margin percentage in the Animal Nutrition and Health segment decreased by 1.4% principally from increases in the cost of certain petro-chemical raw materials used to manufacture choline.

Operating Expenses

Operating expenses for 2010 were \$28,267, as compared to \$26,299 for 2009, an increase of \$1,968 or 7.5%. This increase was primarily due to increased costs related to the Aberco acquisition, recruiting fees, a modest increase of employee headcount, relocation expenses, and consultancy fees partially offset by a reduction in outside contract research expense, principally due to the timing of these activities, and accounts receivable reserves for international accounts that were an expense/reserve item in the prior year comparable period. Operating expenses were 11.1% of sales or 0.9 percentage points less than the operating expenses as a percent of sales in last year's comparable period. During 2010 and 2009, the Company spent \$3,190 and \$3,298 respectively, on research and development programs, substantially all of which pertained to the Company's Food, Pharma & Nutrition and Animal Nutrition & Health segments.

Business Segment Earnings From Operations

Earnings from operations for 2010 increased to \$49,770 compared to \$40,659 for 2009, an increase of \$9,111 or 22.4%. This increase was principally driven by increased sales volumes over the prior year comparable period, partially offset primarily by higher petro-chemical based raw material costs. Earnings from operations as a percentage of sales (“operating margin”) for 2010 increased to 19.5% compared to 18.5% for 2009, principally a result of the aforementioned higher sales volumes being partially offset by higher petro-chemical based raw material costs. The Company is continuing to focus on volume growth with new product launches into both domestic and international markets, as well as capitalizing on its varied choline production capabilities. Earnings from operations for the Specialty Products segment were \$15,944, an increase of \$1,694 or 11.9%, primarily due to increased sales volumes being offset by higher petro-chemical based raw material costs and increased expenses related to development work on our ERC technology for repackaging, distribution and delivery of a product for the fruit ripening industry. Earnings from operations for Food, Pharma & Nutrition were \$9,748, an increase of \$4,719 or 93.8%, due largely to the aforementioned increased sales volumes, favorable product mix and plant efficiencies. Earnings from operations for Animal Nutrition & Health increased by \$2,698 to \$24,078, a 12.6% increase from the prior year comparable period, principally from favorable operating variances due to the volume improvement in both sales and production. Also contributing to the improvement was the aforementioned reduction in outside contract research expense and accounts receivable reserves for international accounts that were an expense/reserve item in last year’s comparable period. These improvements were partially offset by increases in the cost of certain petro-chemical raw materials used to manufacture choline.

Other Expenses (Income)

Interest income for 2010 totaled \$289 as compared to \$107 for 2009, a result of higher average cash balances in 2010. Interest expense was \$90 for 2010 compared to \$209 for 2009. This decrease is primarily attributable to the decrease in average current and long-term debt resulting from normal recurring principal payments. Other income of \$162 includes a non-recurring net gain of approximately \$73 related to the sale of a non-core calcium carbonate product line and favorable fluctuations in foreign currency exchange rates between the U.S. dollar (the reporting currency) and functional foreign currencies.

Income Tax Expense

The Company’s effective tax rate for 2010 and 2009 was 33.6% and 34.0% respectively. This decrease in the effective tax rate is primarily attributable to increased tax credits and deductions.

Net Earnings

Principally as a result of the above-noted increase in sales, partially offset primarily by higher costs of certain petro-chemical based raw materials, net earnings were \$33,277 for 2010, as compared with \$26,785 for 2009, an increase of 24.2%.

Fiscal Year 2009 compared to Fiscal Year 2008

(All amounts in thousands, except share and per share data)

Net Sales

Net sales for 2009 were \$219,438, as compared with \$232,050 for 2008, a decrease of \$12,612 or 5.4%. Net sales for the specialty products segment were \$36,368 for 2009, as compared with \$35,835 for 2008, an increase of \$533 or 1.5%. This increase in sales was derived principally from increases in the average selling prices of certain ethylene oxide products for medical device sterilization adopted to help offset rising raw material costs during 2008. This increase was partially offset by a decline in volumes sold of propylene oxide for starch modification. Net sales for the Food, Pharma & Nutrition segment were \$35,407 for 2009, as compared with \$35,702 for 2008, a decrease of \$295 or 0.8%. This result was driven principally by aggressive inventory management by customers along with volume declines in the human-

grade choline and calcium products for the supplement market, which has been negatively impacted by the worldwide economic downturn. These declines were partially offset by a favorable product mix sold in the domestic food market, including the growth of choline into new food applications as well as growth in the bakery, tortilla and preservation markets. Also offsetting the declines were increased sales of Vitashure® products for nutritional enhancement. Net sales of \$147,663 were realized in 2009 for the Animal Nutrition & Health segment, as compared with \$160,513 for 2008, a decrease of \$12,850 or 8.0%. Feed and industrial grade choline product sales and derivatives decreased 10% or \$13,628 over the prior year period, principally from well-publicized softness in the U.S. poultry and swine markets. There were also lower export sales from our North American choline plants, largely due to the stronger U.S. dollar in 2009 versus 2008 and international political factors affecting poultry exports. This U.S. volume decline was partially offset by increased volumes of choline products sourced from our Italian operation into the European and international poultry markets. This geographic mix lowered consolidated feed grade prices in the period, as did lower pricing linked to the decline in raw material costs. Sales of industrial derivatives (both choline and methylamines) were impacted by softness in the industrial sector, principally caused by the general economic downturn. Sales of our specialty animal nutrition and health products, targeted for ruminant production animals and companion animals, increased 3.3% or \$778 from the prior year comparable period as some late year improvement in dairy economics created greater demand for certain products, particularly chelates and rumen protected lysine. Partially offsetting this increase were declines in certain other specialty animal nutrition and health products, targeted for ruminant production animals and companion animals largely due to due to weak dairy economics in 2009 which resulted in lower demand for these products.

Gross Margin

Gross margin for 2009 increased to \$66,958 compared to \$52,578 for 2008, an increase of 27.3%. Gross margin percentage for 2009 was 30.5%, as compared to 22.7%, for 2008, as our margin percentage was favorably affected by product mix, lower raw material and energy costs and price increases implemented in early 2009. Gross margin percentage for the specialty products segment increased by 6.7% primarily due to price increases implemented in early 2009. Gross margin percentage in the encapsulated / nutritional products segment decreased 3.2% as margins were unfavorably affected by the aforementioned aggressive inventory management by customers and volume declines in the human-grade choline and calcium products for the supplement market. Gross margin percentage in Animal Nutrition and Health increased 9.9% principally from reductions in the cost of certain petro-chemical raw materials and improved production/supply chain efficiencies in both the U.S. and Europe.

Operating Expenses

Operating expenses for 2009 were \$26,299, as compared to \$23,230 for 2008, an increase of \$3,069 or 13.2%. This increase was due primarily to increased payroll expenses, an increase to some accounts receivable reserves for international accounts and non-cash stock-based compensation recognition. With these increases, operating expenses were 12.0% of sales or 2.0 percentage points greater than the operating expenses as a percent of sales incurred in 2008. During 2009 and 2008, the Company spent \$3,298 and \$2,877, respectively, on research and development, substantially all of which pertained to the Food, Pharma & Nutrition, and Animal Nutrition & Health segments.

Business Segment Earnings From Operations

Earnings from operations for 2009 increased to \$40,659 compared to \$29,348 for 2008, an increase of \$11,311 or 38.5%. This increase was primarily driven by cost reductions of certain petro-chemical raw materials over the prior year, a favorable product mix, and plant and logistics efficiencies. Earnings from operations as a percentage of sales (“operating margin”) for 2009 increased to 18.5% compared to 12.6% for 2008, principally a result of the aforementioned cost reductions of certain petro-chemical raw materials over the prior year comparable period, a favorable product mix, and plant and logistics efficiencies. Earnings from operations for the Specialty Products segment were \$14,250, an increase of \$1,705 or 13.6%, primarily due to reductions in the cost of certain petro-chemical raw materials and increases in average selling prices. Earnings from operations for Food, Pharma & Nutrition were

\$5,029, a decrease of \$440 or 8.0%, due largely to the aforementioned aggressive inventory management by customers and volume declines in the human-grade choline and calcium products for the supplement market. Earnings from operations for Animal Nutrition & Health increased by \$10,046 to \$21,380, an 88.6% increase from the prior year, resulting principally from reductions in the cost of certain petro-chemical raw materials and improved production/supply chain efficiencies in both the U.S. and Europe.

Other Expenses (Income)

Interest income totaled \$107 in each of 2009 and 2008. Interest expense, net of capitalized interest, was \$209 for 2009 compared to \$963 for 2008. This decrease is primarily attributable to the decrease in average current and long-term debt resulting from both normal recurring principal payments as well as accelerated payments of the Term Loan (as defined below in the Financing Activities section of Liquidity and Capital Resources). Other income of \$45 for 2009 is primarily the result of favorable fluctuations in foreign currency exchange rates between the U.S. dollar (the reporting currency) and functional foreign currencies.

Income Tax Expense

The Company's effective tax rate in 2009 and 2008 was 34.0% and 33.0%, respectively. This increase in the effective tax rate is primarily attributable to a change in apportionment relating to state income taxes, as well as a change in the income proportion towards jurisdictions with higher tax rates.

Net Earnings

Primarily as a result of the above-noted cost reductions of certain petro-chemical raw materials, the favorable product mix, and plant and logistics efficiencies, net earnings were \$26,785 for 2009, as compared with \$19,050 for 2008, an increase of 40.6%.

LIQUIDITY AND CAPITAL RESOURCES

Contractual Obligations

The Company's contractual obligations and debt obligations, excluding revolver borrowings, as of December 31, 2010, are summarized in the table below:

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations	\$ 4,914	\$ 1,482	\$ 2,840	\$ 592	\$ -
Interest payment obligations (1)	154	76	75	3	-
Operating lease obligations (2)	1,858	852	627	263	116
Purchase obligations (3)	9,224	9,224	-	-	-
Total	\$ 16,150	\$ 11,634	\$ 3,542	\$ 858	\$ 116

(1)Includes interest payments on long-term debt obligations based on interest and foreign currency rates at December 31, 2010. It is assumed that there will be no prepayments of principal on the European Term Loan.

(2)Principally includes obligations associated with future minimum non-cancelable operating lease obligations (including the headquarters office space entered into in 2002).

(3)Principally includes open purchase orders with vendors for inventory not yet received or recorded on our balance sheet.

The table above excludes a \$1,066 liability for uncertain tax positions, including the related interest and penalties, recorded in accordance with ASC 740-10, as we are unable to reasonably estimate the timing of settlement, if any.

The Company knows of no current or pending demands on, or commitments for, its liquid assets that will materially affect its liquidity.

The Company expects its operations to continue generating sufficient cash flow to fund working capital requirements and necessary capital investments. The Company is actively pursuing additional acquisition candidates. The Company could seek additional bank loans or access to financial markets to fund such acquisitions, its operations, working capital, necessary capital investments or other cash requirements should it deem it necessary to do so.

Acquisitions and Dispositions

In June of 2010, pursuant to a stock purchase agreement, the Company acquired the capital stock of Aberco, Inc, a Maryland Corporation, a marketer and distributor of propylene oxide for use as a fumigant. The assets acquired and liabilities assumed as part of this acquisition are not material to the financial statements. Also, the effect of this acquisition on pro forma revenue and earnings for the periods presented is not material to the financial statements.

Cash

Cash and cash equivalents increased to \$77,253 at December 31, 2010 from \$46,432 at December 31, 2009 primarily resulting from the activity detailed below. Working capital amounted to \$100,144 at December 31, 2010 as compared to \$59,197 at December 31, 2009, an increase of \$40,947.

Operating Activities

Cash flows from operating activities provided \$39,030 for 2010 compared to \$48,072 for 2009. The decrease in cash flows from operating activities was primarily driven by normal changes in various components of working capital as compared to the prior year and was partially offset by higher net earnings, increased depreciation and amortization and increased non-cash stock compensation expense.

Investing Activities

Capital expenditures were \$7,557 for 2010 compared to \$3,429 for 2009. Acquisition of a business of \$4,661 was primarily due to the Company's aforementioned acquisition of a marketer and distributor of propylene oxide and proceeds from sale of a product line of \$1,125 was from the aforementioned sale of the non-core calcium carbonate product line.

Financing Activities

The Company has an approved stock repurchase program. The total authorization under this program is 3,763,038 shares. Since the inception of the program, a total of 1,990,943 shares have been purchased, none of which remained in treasury at December 31, 2010 or 2009. During 2010, a total of 29,143 shares have been purchased at an average cost of \$32.14 per share. The Company intends to acquire shares from time to time at prevailing market prices if and to the extent it deems it advisable to do so based on its assessment of corporate cash flow, market conditions and other factors.

The Company and its principal bank have a Loan Agreement (the "European Loan Agreement") providing for an unsecured term loan of \$9,940 (the "European Term Loan"). The European Term Loan is payable in equal monthly installments of principal, each equal to 1/84th of the principal of the European Term Loan, together with accrued interest, with remaining principal and interest payable at maturity. Effective April 30, 2010, the European Term Loan was renewed with a new maturity date of May 1, 2014, and is subject to a monthly interest rate equal to EURIBOR plus 1%. At December 31, 2010, this interest

rate was 1.81%. At December 31, 2010, the European Term Loan had an outstanding balance of €3,661, translated to \$4,852. The European Loan Agreement also provides for a short-term revolving credit facility of €3,000, translated to \$3,976 as of December 31, 2010 (the "European Revolving Facility"). The European Revolving Facility has been renewed for a period of one year as of May 1, 2010. The European Revolving Facility is subject to a monthly interest rate equal to EURIBOR plus 1.45%, and accrued interest is payable monthly. No amounts are outstanding on the European Revolving Facility as of the date hereof. Management believes that such facility will be renewed in the normal course of business.

The Company and its principal bank have a Loan Agreement (the "Loan Agreement"), which provides for a short-term revolving credit facility of \$6,000 (the "Revolving Facility"). The Revolving Facility is subject to a monthly interest rate equal to LIBOR plus 1%, and accrued interest is payable monthly. At December 31, 2010, this interest rate was 1.26%. No amounts are outstanding on the Revolving Facility as of the date hereof. The Revolving Facility has been renewed with a new maturity date of May 31, 2011. Management believes that such facility will be renewed in the normal course of business.

At December 31, 2010, the Company had a total of \$4,914 of debt outstanding, as compared to a total of \$6,783 debt outstanding at December 31, 2009. Indebtedness under the Company's loan agreements are secured by assets of the Company.

Significant financial covenants in our loan agreements include maintaining at certain levels our Current Ratio, Funded Debt Ratio, and a Fixed Charge Coverage Ratio. We were in compliance with all material covenants related to our loan agreements as of December 31, 2010 and we expect to be in compliance with all material covenants during fiscal 2011. Our loan agreements require compliance with all of the covenants defined in the agreement. If we were out of compliance with any debt covenant required by our loan agreements following the applicable cure period, our lender could terminate its commitment, unless we successfully negotiate a covenant waiver.

Proceeds from stock options exercised and restricted shares purchased totaled \$4,343 and \$2,988 for 2010 and 2009, respectively. Dividend payments were \$3,091 and \$2,008 for 2010 and 2009, respectively.

Other Matters Impacting Liquidity

The Company currently provides postretirement benefits in the form of a retirement medical plan under a collective bargaining agreement covering eligible retired employees of its Verona, Missouri facility. The amount recorded on the Company's balance sheet as of December 31, 2010 for this obligation is \$1,296. The postretirement plan is not funded. Historical cash payments made under such plan have typically been less than \$100 per year.

Critical Accounting Policies

Management of the Company is required to make certain estimates and assumptions during the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

The Company's "critical accounting policies" are those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and that may change in subsequent periods. Management considers the following accounting policies to be critical.

Revenue Recognition

Revenue for each of our business segments is recognized upon product shipment, passage of title and risk of loss, and when collection is reasonably assured. The Company reports amounts billed to customers related to shipping and handling as revenue and includes costs incurred for shipping and handling in cost of sales. Amounts received for unshipped merchandise are principally not recognized as revenue but rather they are recorded as customer deposits and are included in current liabilities. In instances of shipments made on consignment, revenue is deferred until a customer indicates to the Company that it has used the Company's products. The Company does not charge its customers rental fees on cylinders or drums used to ship its products. In addition, the Company follows the provisions of ASC Topic 605, "Revenue Recognition" (incorporating the Securities and Exchange Commission's (SEC) Staff Accounting Bulletin (SAB) No. 104, "Revenue Recognition") which sets forth guidelines on the timing of revenue recognition based upon factors such as passage of title, payments and customer acceptance.

Inventories

Inventories are valued at the lower of cost (first in, first out or average) or market value and have been reduced by an allowance for excess or obsolete inventories. The write-down of potentially obsolete or slow-moving inventory is recorded based on management's assumptions about future demand and market conditions.

Long-lived assets

Long-lived assets, such as property, plant, and equipment and intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset, which is generally based on discounted cash flows.

Goodwill, which is not subject to amortization, is tested annually for impairment, and more frequently if events and circumstances indicate that the asset might be impaired. If an indicator of impairment exists, the Company determines the amount of impairment based on a comparison of the implied fair value of its goodwill to its carrying value. We also perform impairment analyses whenever events and circumstances indicate that goodwill or certain intangibles may be impaired.

In accordance with the ASC Topic 350, we test goodwill for impairment at the reporting unit level. We utilize our three operating segments as our goodwill reporting units as we have discrete financial information that is regularly reviewed by operating segment management and businesses within each segment have similar economic characteristics. For the year ended December 31, 2010, the Company's three reporting units were Specialty Products; Food, Pharma & Nutrition; and Animal Nutrition & Health. We have historically assessed, and continue to assess, the fair value of our reporting units by solely utilizing the income approach, based on a discounted cash flow valuation model as the basis for our conclusions, as we feel this provides the most reliable valuation indicator based on our long term projections for each reporting unit. Our estimates of future cash flows include significant management assumptions such as revenue growth rates, operating margins, discount rates, estimated terminal value and future economic and market conditions. These valuation procedures are consistent with goodwill impairment tests performed in prior years. We completed our annual goodwill impairment test as of December 31, 2010, which indicated no impairment of goodwill, as the estimated fair values substantially exceeded the carrying values of each of our reporting units. In addition, with the exception of an asset writedown related to the sale of a product line, there were no triggering events which required asset impairment reviews and the undiscounted cash flows associated with our property, plant and equipment and other long-lived intangible assets were well in excess of the carrying value of these asset classes.

Accounts Receivable

We market our products to a diverse customer base, principally throughout the United States, Europe, China and Japan. We grant credit terms in the normal course of business to our customers. We perform on-going credit evaluations of our customers and adjust credit limits based upon payment history and the customer's current credit worthiness, as determined through review of their current credit information. We continuously monitor collections and payments from customers and maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. Estimated losses are based on historical experience and any specific customer collection issues identified. If the financial condition of our customers were to deteriorate resulting in an impairment of their ability to make payments, additional allowances and related bad debt expense may be required.

Post-employment Benefits

The Company provides life insurance and health care benefits for eligible retirees and health care benefits for retirees' eligible survivors. The costs and obligations related to these benefits reflect the Company's assumptions as to general economic conditions and health care cost trends. The cost of providing plan benefits also depends on demographic assumptions including retirements, mortality, turnover, and plan participation. If actual experience differs from these assumptions, the cost of providing these benefits could increase or decrease.

In accordance with ASC 715, "Compensation—Retirement Benefits," the Company is required to recognize the over funded or under funded status of a defined benefit post retirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position, and to recognize changes in that funded status in the year in which the changes occur through comprehensive income.

Intangible Assets with Finite Lives

The useful life of an intangible asset is based on the Company's assumptions regarding expected use of the asset; the relationship of the intangible asset to another asset or group of assets; any legal, regulatory or contractual provisions that may limit the useful life of the asset or that enable renewal or extension of the asset's legal or contractual life without substantial cost; the effects of obsolescence, demand, competition and other economic factors; and the level of maintenance expenditures required to obtain the expected future cash flows from the asset and their related impact on the asset's useful life. If events or circumstances indicate that the life of an intangible asset has changed, it could result in higher future amortization charges or recognition of an impairment loss.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. The Company regularly reviews its deferred tax assets for recoverability and would establish a valuation allowance if it believed that such assets may not be recovered, taking into consideration historical operating results, expectations of future earnings, changes in its operations and the expected timing of the reversals of existing temporary differences.

We account for uncertainty in income taxes utilizing ASC 740-10. ASC 740-10 clarifies whether or not to recognize assets or liabilities for tax positions taken that may be challenged by a tax authority. It prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosures. The application of ASC 740-10 requires judgment related to the uncertainty in income taxes and could impact our effective tax rate.

Stock-based Compensation

We account for stock-based compensation in accordance with the provisions of ASC 718, "Compensation-Stock Compensation." Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating our stock price volatility, employee stock option exercise behaviors and employee option forfeiture rates. Expected volatilities are based on historical volatility of the Company's stock. The expected term of the options is based on the Company's historical experience of employees' exercise behavior. As stock-based compensation expense recognized in the Consolidated Statement of Earnings is based on awards ultimately expected to vest, the amount of expense has been reduced for estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience. If factors change and we employ different assumptions in the application of ASC 718, the compensation expense that we record in future periods may differ significantly from what we have recorded in the current period. See Note 2 to the Consolidated Financial Statements for additional information.

New Accounting Pronouncements:

See Note 1 in Notes to Consolidated Financial Statements regarding recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Cash and cash equivalents are invested primarily in money market accounts. The Company has no derivative financial instruments or derivative commodity instruments, nor does the Company have any financial instruments entered into for trading or hedging purposes. As of December 31, 2010, the Company's borrowings were under a bank term loan bearing interest at EURIBOR plus 1.00%. A 100 basis point increase or decrease in interest rates, applied to the Company's borrowings at December 31, 2010, would result in an increase or decrease in annual interest expense and a corresponding reduction or increase in cash flow of approximately \$49. The Company is exposed to market risks for changes in foreign currency rates and has exposure to commodity price risks, including prices of our primary raw materials. Our objective is to seek a reduction in the potential negative earnings impact of changes in foreign exchange rates and raw material pricing arising in our business activities. The Company manages these financial exposures, where possible, through pricing and operational means. Our practices may change as economic conditions change.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Balchem Corporation

We have audited the accompanying consolidated balance sheets of Balchem Corporation and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of earnings, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule of Balchem Corporation listed in the Index at Item 8. We also have audited Balchem Corporation's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Balchem Corporation's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Balchem Corporation and Subsidiaries as of December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly the information set forth therein. Also in our opinion, Balchem Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal*

Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ McGladrey & Pullen, LLP
New York, New York
February 28, 2011

BALCHEM CORPORATION
Consolidated Balance Sheets
December 31, 2010 and 2009
(Dollars in thousands, except share and per share data)

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 77,253	\$ 46,432
Accounts receivable, net of allowance for doubtful accounts of \$122 and \$357 at December 31, 2010 and 2009, respectively	32,050	29,149
Inventories	15,720	13,965
Prepaid expenses	2,328	2,046
Prepaid income taxes	1,199	-
Deferred income taxes	552	891
Other current assets	550	529
Total current assets	129,652	93,012
Property, plant and equipment, net	43,388	41,579
Goodwill	28,515	26,658
Intangible assets with finite lives, net	26,649	26,504
Other assets	420	60
Total assets	\$ 228,624	\$ 187,813
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Trade accounts payable	\$ 9,755	\$ 10,876
Accrued expenses	9,250	5,613
Accrued compensation and other benefits	4,710	4,399
Dividends payable	4,311	3,091
Income taxes payable	-	3,053
Current portion of long-term debt	1,482	6,783
Total current liabilities	29,508	33,815
Long-term debt	3,432	-
Deferred income taxes	5,642	5,030
Other long-term obligations	2,575	1,825
Total liabilities	41,157	40,670
Commitments and contingencies (note 11)		
Stockholders' equity:		
Preferred stock, \$25 par value. Authorized 2,000,000 shares; none issued and outstanding	-	-
Common stock, \$.0667 par value. Authorized 60,000,000 shares; 28,752,325 shares issued and outstanding at December 31, 2010 and 28,097,279 shares issued and outstanding at December 31, 2009	1,917	1,873
Additional paid-in capital	38,557	26,541
Retained earnings	147,542	118,576
Accumulated other comprehensive (loss) income	(549)	153
Total stockholders' equity	187,467	147,143
Total liabilities and stockholders' equity	\$ 228,624	\$ 187,813

BALCHEM CORPORATION
Consolidated Statements of Earnings
Years Ended December 31, 2010, 2009 and 2008
(In thousands, except per share data)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net sales	\$ 255,071	\$ 219,438	\$ 232,050
Cost of sales	<u>177,034</u>	<u>152,480</u>	<u>179,472</u>
Gross margin	78,037	66,958	52,578
Operating expenses:			
Selling expenses	15,608	14,350	12,560
Research and development expenses	3,190	3,298	2,877
General and administrative expenses	<u>9,469</u>	<u>8,651</u>	<u>7,793</u>
	<u>28,267</u>	<u>26,299</u>	<u>23,230</u>
Earnings from operations	<u>49,770</u>	<u>40,659</u>	<u>29,348</u>
Other expenses (income):			
Interest income	(289)	(107)	(107)
Interest expense	90	209	963
Other, net	(162)	(45)	61
Earnings before income tax expense	<u>50,131</u>	<u>40,602</u>	<u>28,431</u>
Income tax expense	<u>16,854</u>	<u>13,817</u>	<u>9,381</u>
Net earnings	<u>\$ 33,277</u>	<u>\$ 26,785</u>	<u>\$ 19,050</u>
Basic net earnings per common share	<u>\$ 1.19</u>	<u>\$ 0.98</u>	<u>\$ 0.71</u>
Diluted net earnings per common share	<u>\$ 1.12</u>	<u>\$ 0.93</u>	<u>\$ 0.67</u>

BALCHEM CORPORATION
Consolidated Statements of Stockholders' Equity and Comprehensive Income
Years Ended December 31, 2010, 2009 and 2008
(Dollars in thousands, except share and per share data)

	Total Stockholders' Equity	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock Shares	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital
Balance - December 31, 2007	\$ 93,080	\$ 77,840	\$ 150	\$ 26,969,029	\$ 1,797	-	\$ -	\$ 13,293
<i>Comprehensive Income:</i>								
Net earnings	19,050	\$ 19,050	19,050	-	-	-	-	-
Other comprehensive income, net of tax:								
Net change in pension asset/liability, net of taxes of \$8	48	48	-	-	-	-	-	-
Translation adjustments	(206)	(206)	-	-	-	-	-	-
Other Comprehensive Income (Loss)	-	(158)	-	(158)	-	-	-	-
Comprehensive Income	-	\$ 18,892	-	-	-	-	-	-
Dividends (\$.07 per share)	(2,008)	(2,008)	-	-	-	-	-	-
Shares issued under employee benefit plans and other	406	-	-	-	2	-	-	404
Shares and options issued under stock option plans and an income tax benefit of \$672	4,136	-	-	-	379,164	25	-	4,111
Balance - December 31, 2008	114,506	94,882	(8)	27,374,020	1,824	-	-	17,808
<i>Comprehensive Income:</i>								
Net earnings	26,785	\$ 26,785	26,785	-	-	-	-	-
Other comprehensive income, net of tax:								
Net change in pension asset/liability, net of taxes of \$6	(15)	(15)	-	-	-	-	-	-
Translation adjustments	176	176	-	-	-	-	-	-
Other Comprehensive Income (Loss)	-	161	-	161	-	-	-	-
Comprehensive Income	-	\$ 26,946	-	-	-	-	-	-
Dividends (\$.11 per share)	(3,091)	(3,091)	-	-	-	-	-	-
Shares issued under employee benefit plans and other	430	-	-	-	2	-	-	428
Shares and options issued under stock option plans and an income tax benefit of \$2,289	8,352	-	-	-	698,846	47	-	8,305
Balance - December 31, 2009	147,143	118,576	153	28,097,279	1,873	-	-	26,541
<i>Comprehensive Income:</i>								
Net earnings	33,277	\$ 33,277	33,277	-	-	-	-	-
Other comprehensive income, net of tax:								
Net change in pension asset/liability, net of taxes of \$148	(277)	(277)	-	-	-	-	-	-
Translation adjustments	(425)	(425)	-	-	-	-	-	-
Other Comprehensive Income (Loss)	-	(702)	-	(702)	-	-	-	-
Comprehensive Income	-	\$ 32,575	-	-	-	-	-	-
Dividends (\$.15 per share)	(4,311)	(4,311)	-	-	-	-	-	-
Treasury shares purchased	(937)	-	-	-	-	(29,143)	(937)	-
Shares issued under employee benefit plans and other	431	-	-	-	1	-	-	430
Shares and options issued under stock option plans and an income tax benefit of \$4,230	12,566	-	-	-	637,981	43	29,143	11,586
Balance - December 31, 2010	\$ 187,467	\$ 147,542	\$ (549)	\$ 28,752,325	\$ 1,917	-	\$ -	\$ 38,557

BALCHEM CORPORATION
Consolidated Statements of Cash Flows
Years Ended December 31, 2010, 2009 and 2008
(In thousands)

	2010	2009	2008
Cash flows from operating activities:			
Net earnings	\$ 33,277	\$ 26,785	\$ 19,050
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	8,559	8,130	7,786
Stock compensation expense	3,992	3,076	2,414
Shares issued under employee benefit plans	431	430	406
Deferred income tax expense	(669)	(1,216)	(238)
(Recovery of) provision for doubtful accounts	(225)	305	-
Foreign currency transaction (gain) loss	(25)	36	31
Gain on sale of a product line	(931)	-	-
Loss on impairment of assets	311	-	-
Other	-	(8)	-
Changes in assets and liabilities			
Accounts receivable	(2,744)	862	(1,058)
Inventories	(1,863)	2,656	(974)
Prepaid expenses and other current assets	43	1,776	(17)
Accounts payable and accrued expenses	2,645	4,037	(4,593)
Income taxes	(4,091)	1,009	6
Other	320	194	84
Net cash provided by operating activities	39,030	48,072	22,897
Cash flows from investing activities:			
Proceeds from sale of a product line	1,125	-	-
Acquisition of a business	(4,661)	-	(296)
Capital expenditures	(7,557)	(3,429)	(5,080)
Intangible assets disposed (acquired)	44	(215)	(182)
Net cash used in investing activities	(11,049)	(3,644)	(5,558)
Cash flows from financing activities:			
Proceeds from long-term debt	97	-	-
Principal payments on long-term debt	(1,458)	(2,844)	(14,876)
Proceeds from short-term obligations	-	701	3,516
Repayments of short-term obligations	-	(2,657)	(4,507)
Proceeds from stock options exercised and restricted shares purchased	4,343	2,988	1,050
Excess tax benefits from stock compensation	4,230	2,289	672
Dividends paid	(3,091)	(2,008)	(1,975)
Purchase of treasury stock	(937)	-	-
Net cash (used in) provided by financing activities	3,184	(1,531)	(16,120)
Effect of exchange rate changes on cash	(344)	113	(104)
Increase in cash and cash equivalents	30,821	43,010	1,115
Cash and cash equivalents beginning of year	46,432	3,422	2,307
Cash and cash equivalents end of year	\$ 77,253	\$ 46,432	\$ 3,422

Supplemental Cash Flow information - see Note 13

BALCHEM CORPORATION
Notes to Consolidated Financial Statements

(All amounts in thousands, except share and per share data)

NOTE 1 - BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description

Balchem Corporation (including, unless the context otherwise requires, its wholly-owned subsidiaries, BCP Ingredients, Inc., Balchem Minerals Corporation, BCP St. Gabriel, Inc., Chelated Minerals Corporation, Aberco, Inc., Balchem BV, Balchem Trading BV, and Balchem Italia Srl (“Balchem” or the “Company”)), incorporated in the State of Maryland in 1967, is engaged in the development, manufacture and marketing of specialty performance ingredients and products for the food, nutritional, feed, pharmaceutical and medical sterilization industries.

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

Revenue for each of our business segments is recognized upon product shipment, passage of title and risk of loss, and when collection is reasonably assured. The Company reports amounts billed to customers related to shipping and handling as revenue and includes costs incurred for shipping and handling in cost of sales. Amounts received for unshipped merchandise are principally not recognized as revenue but rather they are recorded as customer deposits and are included in current liabilities. In instances of shipments made on consignment, revenue is deferred until a customer indicates to the Company that it has used the Company’s products. The Company does not charge its customers rental fees on cylinders or drums used to ship its products. In addition, the Company follows the provisions of ASC Topic 605, “Revenue Recognition” (incorporating the Securities and Exchange Commission’s (SEC) Staff Accounting Bulletin (SAB) No. 104, “Revenue Recognition”) which sets forth guidelines on the timing of revenue recognition based upon factors such as passage of title, payments and customer acceptance.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Inventories

Inventories are valued at the lower of cost (first in, first out or average) or market value and have been reduced by an allowance for excess or obsolete inventories. Cost elements include material, labor and manufacturing overhead.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost. Depreciation of plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	15-25 years
Equipment	3-12 years

Expenditures for repairs and maintenance are charged to expense. Alterations and major overhauls that extend the lives or increase the capacity of plant assets are capitalized. When assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts and any resultant gain or loss is included in earnings.

Business Concentrations

Financial instruments that subject the Company to credit risk consist primarily of money market investments and accounts receivable. Investments are managed within established guidelines to mitigate risks. Accounts receivable subject the Company to credit risk partially due to the concentration of amounts due from customers. The Company extends credit to its customers based upon an evaluation of the customers' financial condition and credit histories. The majority of the Company's customers are major national or international corporations. In 2010, 2009 and 2008, no customer accounted for more than 10% of total net sales.

Goodwill and Acquired Intangible Assets

Goodwill represents the excess of costs over fair value of assets of businesses acquired. The Company adopted the provisions of ASC 350, "Intangibles-Goodwill and Other," as of January 1, 2002. This standard requires the use of the purchase method of accounting for a business combination and defines an intangible asset. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but are instead tested for impairment at least annually in accordance with the provisions of ASC 350. ASC 350 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment.

As required by ASC 350, the Company performed an assessment of whether there was an indication that goodwill was impaired at the date of adoption. In connection therewith, the Company determined that its operations consisted of three reporting units and determined each reporting units' fair value and compared it to the reporting unit's net book value. Since the fair value of each reporting unit exceeded its carrying amount, there was no indication of impairment and no further transitional impairment testing was required. As of December 31, 2010 and 2009, the Company also performed an impairment test of its goodwill balance. As of such dates the Company's reporting units' fair value exceeded their carrying amounts, and therefore there was no indication that goodwill was impaired. Accordingly, the Company was not required to perform any further impairment tests. The Company performs its impairment test each December 31.

The Company had unamortized goodwill in the amount of \$28,515 at December 31, 2010 as compared to \$26,658 at December 31, 2009, subject to the provisions of ASC 350. Unamortized goodwill is allocated to the Company's reportable segments as follows:

	2010	2009
Specialty Products	\$ 7,160	\$ 5,089
Food, Pharma and Nutrition	8,393	8,607
Animal Nutrition and Health	12,962	12,962
Total	\$ 28,515	\$ 26,658

The following intangible assets with finite lives are stated at cost and are amortized on a straight-line basis over the following estimated useful lives:

	Amortization Period (in years)
Customer lists	10
Regulatory re-registration costs	10
Patents & trade secrets	15 - 17
Trademarks & trade names	17
Other	5 - 10

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or

settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Use of Estimates

Management of the Company is required to make certain estimates and assumptions during the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and revenues and expenses during the reporting period. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company has a number of financial instruments, none of which are held for trading purposes. The Company estimates that the fair value of all financial instruments at December 31, 2010 and 2009 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying consolidated balance sheets. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The Company's financial instruments, principally cash equivalents, accounts receivable, accounts payable and accrued liabilities, are carried at cost which approximates fair value due to the short-term maturity of these instruments. The fair value of the Company's obligations under its long-term debt and credit agreements approximates their carrying value as the stated interest rates of these instruments are variable and reflect rates which are otherwise currently available to the Company.

Cost of Sales

Cost of sales are primarily comprised of raw materials and supplies consumed in the manufacture of product, as well as manufacturing labor, maintenance labor, depreciation expense, and direct overhead expense necessary to convert purchased materials and supplies into finished product. Cost of sales also includes inbound freight costs, outbound freight costs for shipping products to customers, warehousing costs, quality control and obsolescence expense.

Selling, General and Administrative Expenses

Selling expenses consist primarily of compensation and benefit costs, trade promotions, advertising, commissions and other marketing costs. General and administrative expenses consist primarily of payroll and benefit costs, occupancy and operating costs of corporate offices, depreciation and amortization expense on non-manufacturing assets, information systems costs and other miscellaneous administrative costs.

Research and Development

Research and development costs are expensed as incurred.

Net Earnings Per Common Share

Basic net earnings per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net earnings per common share is calculated in a manner consistent with basic net earnings per common share except that the weighted average number of common shares outstanding also includes the dilutive effect of stock options outstanding and unvested restricted stock (using the treasury stock method).

Stock-based Compensation

The Company has stock-based employee compensation plans, which are described more fully in Note 2. On January 1, 2006, the Company was required to adopt ASC 718, "Compensation-Stock Compensation,"

which requires all share-based payments, including grants of stock options, to be recognized in the income statement as an operating expense, based on their fair values. The Company estimates the fair value of each option award on the date of grant using a Black-Scholes based option-pricing model. Estimates of and assumptions about forfeiture rates, terms, volatility, interest rates and dividend yields are used to calculate stock-based compensation. A significant change to these estimates could materially affect the Company's operating results.

Impairment of Long-lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset, which is generally based on discounted cash flows.

New Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-29, "Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations" ("ASU 2010-29"). The amendments in this Update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early application is permitted. The Company does not expect the adoption of this ASU to be significant to its consolidated financial statements; however the Company may have additional disclosure requirements if the Company completes an acquisition.

In September 2010, the FASB issued ASU 2010-25, Plan Accounting—Defined Contribution Pension Plans (Topic 962): Reporting Loans to Participants by Defined Contribution Pension Plans (a consensus of the FASB Emerging Issues Task Force). This ASU amends ASC Topic 962 to require that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. The amendments in this ASU must be applied retrospectively to all prior periods presented, effective for fiscal years ending after December 15, 2010. Early adoption is permitted. The adoption of the guidance was not significant to the Company's consolidated financial statements.

In August 2010, the FASB issued ASU No. 2010-21, "Accounting for Technical Amendments to Various SEC Rules and Schedules ASU 2010-21." This ASU amends various SEC paragraphs pursuant to the issuance of Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules, and Codification of Financial Reporting Policies and did not have a significant impact on the Company's consolidated financial statements.

In August 2010, the FASB issued ASU No. 2010-22, "Technical Corrections to SEC Paragraphs — An announcement made by the staff of the U.S. Securities and Exchange Commission." This ASU amends various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics and did not have a significant impact on the Company's consolidated financial statements.

In April 2010, the FASB issued Accounting Standards Update No. 2010-17, "Revenue Recognition - Milestone Method (Topic 605): Milestone Method of Revenue Recognition" ("ASU 2010-17"). ASU 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for certain research and development transactions. Under ASU 2010-17, a company can recognize as revenue consideration that is contingent upon achievement of a milestone in the period in which it is achieved, only if the milestone meets all criteria to be considered substantive. ASU 2010-17 is effective on a prospective basis for milestones in fiscal years beginning on or after June 15, 2010. The Company does not expect the adoption of this ASU to be significant to its consolidated financial statements.

In February 2010, the FASB issued Accounting Standards Update No. 2010-09, "Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements" ("ASU 2010-09"). ASU 2010-09 amends disclosure requirements within Subtopic 855-10. An entity that is an SEC filer is not required to disclose the date through which subsequent events have been evaluated. This change alleviates potential conflicts between Subtopic 855-10 and the SEC's requirements. ASU 2010-09 was effective for interim and annual periods ending after June 15, 2010. The adoption of this guidance was not significant to the Company's consolidated financial statements.

In October 2009, the FASB issued ASU No. 2009-13, "Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force." This ASU provides amendments to the criteria for separating consideration in multiple-deliverable arrangements. The amendments in this ASU replace the term "fair value" in the revenue allocation guidance with "selling price" to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant, and they establish a selling price hierarchy for determining the selling price of a deliverable. The amendments in this ASU will eliminate the residual method of allocation and require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, and they significantly expand the required disclosures related to multiple-deliverable revenue arrangements. The amendments in this ASU will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The Company does not expect the adoption of this ASU to be significant to its consolidated financial statements.

In June 2009, the FASB issued amended guidance incorporated into ASC 810, "Consolidation". The amendments include: (1) the elimination of the exemption for qualifying special purpose entities, (2) a new approach for determining who should consolidate a variable-interest entity, and (3) changes to when it is necessary to reassess who should consolidate a variable-interest entity. This amended guidance was effective for the first annual reporting period beginning after November 15, 2009 and for interim periods within that first annual reporting period. The adoption of this guidance was not significant to the Company's consolidated financial statements.

In June 2009, the FASB issued ASC 860, "Transfers and Servicing." This guidance eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. This guidance was effective for fiscal years beginning after November 15, 2009. The adoption of this guidance was not significant to the Company's consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year's presentation with no impact on net earnings or stockholders' equity.

NOTE 2 - STOCKHOLDERS' EQUITY

STOCK-BASED COMPENSATION

In accordance with ASC 718, all share-based payments, including grants of stock options, are recognized in the income statement as an operating expense, based on their fair values.

As required by ASC 718, the Company has made an estimate of expected forfeitures, based on its historical experience, and is recognizing compensation cost only for those stock-based compensation awards expected to vest.

Additionally, since adoption of ASC 718, excess tax benefits related to stock compensation are presented as a cash inflow from financing activities. This change had the effect of decreasing cash flows from operating activities and increasing cash flows from financing activities by \$4,230, \$2,289 and \$672 for the years ended December 31, 2010, 2009 and 2008, respectively.

The Company's results for the years ended December 31, 2010, 2009 and 2008 reflected the following compensation cost as a result of adopting ASC 718 and such compensation cost had the following effects on net earnings:

	Increase/(Decrease) for the Year Ended December 31,		
	2010	2009	2008
Cost of sales	\$ 508	\$ 365	\$ 273
Operating expenses	3,484	2,711	2,141
Net earnings	(2,449)	(1,963)	(1,614)

On December 31, 2010, the Company had one share-based compensation plan, which is described below (the "1999 Stock Plan").

In June 1999, the Company adopted the Balchem Corporation 1999 Stock Plan for officers, directors, directors emeritus and employees of and consultants to the Company and its subsidiaries. The 1999 Stock Plan is administered by the Compensation Committee of the Board of Directors of the Company. Under the plan, options and rights to purchase shares of the Company's common stock are granted at prices established at the time of grant. Option grants generally become exercisable 20% after 1 year, 60% after 2 years and 100% after 3 years from the date of grant for employees and are fully exercisable on the date of grant for directors. Other option grants are either fully exercisable on the date of grant or become exercisable thereafter in such installments as the Committee may specify. Options granted under the 1999 Stock Plan expire ten years from the date of the grant. The 1999 Stock Plan initially reserved an aggregate of 600,000 shares (unadjusted for the stock splits) of common stock for issuance under the Plan. In April 2003, the Board of Directors of the Company adopted and stockholders subsequently approved, the Amended and Restated 1999 Stock Plan (the "Amended Plan") which amended the 1999 Stock Plan by: (i) increasing the number of shares of common stock reserved for issuance under the 1999 Stock Plan by 600,000 shares (unadjusted for the stock splits), to a total of 1,200,000 shares (unadjusted for the stock splits) of common stock; and (ii) confirming the right of the Company to grant awards of common stock ("Awards") in addition to the other Stock Rights available under the 1999 Stock Plan, and providing certain language changes relating thereto. The Amended Plan was scheduled to expire in April, 2009. In April, 2008, the Board of Directors of the Company adopted and stockholders subsequently approved, the adoption of an amendment and restatement of the Amended Plan (collectively to be referred to as the "Second Amended Plan"), which provides as follows: (i) for a termination date of April 9, 2018; (ii) to authorize 6,000,000 shares reserved for future grants under the Second Amended Plan; (iii) for the making of grants of stock appreciation rights, restricted stock and performance awards; (iv) for immediate acceleration of vesting of awards issued under the plan in the event of a change in control of the Company; and (v) for compliance with the requirements of Sections 409A and 162(m) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code" or the "Code"). The 1999 Stock Plan replaced the Company's incentive stock option plan (the "ISO Plan") and its non-qualified stock option plan (the "Non-Qualified Plan"), both of which expired on June 24, 1999. Unexercised options granted under the ISO Plan and the Non-Qualified Plan prior to such termination remain exercisable in accordance with their terms. Options granted under the ISO Plan generally become exercisable 20% after 1 year, 60% after 2 years and 100% after 3 years from the date of grant, and expire ten years from the date of grant. Options granted under the Non-Qualified Plan generally vested on the date of grant, and expire ten years from the date of grant.

The shares to be issued upon exercise of the outstanding options have been approved, reserved and are adequate to cover all exercises. As of December 31, 2010, the plans had 4,753,714 shares available for future awards.

The Company has Restricted Stock Purchase Agreements (the "RSP Agreements") with its non-employee directors and certain employees of the Company to purchase the Company's common stock pursuant to the Company's 1999 Stock Plan. Under the RSP Agreements, certain shares have been purchased, ranging from 1,000 shares to 20,250 shares, of the Company's common stock at purchase prices ranging from approximately \$.02 per share to \$.07 per share. The purchased stock is subject to a repurchase option in favor of the Company and to restrictions on transfer until it vests in accordance with the provisions of the Agreements.

The fair value of each option award issued under the 1999 Stock Plan is estimated on the date of grant using a Black-Scholes based option-pricing model that uses the assumptions noted in the following table. Expected volatilities are based on historical volatility of the Company's stock. The expected term of the options is based on the Company's historical experience of employees' exercise behavior. Dividend yields are based on the Company's historical dividend yields. Risk-free interest rates are based on the implied yields currently available on U.S. Treasury zero coupon issues with a remaining term equal to the expected life.

Weighted Average Assumptions:	Year Ended		
	December 31, 2010	December 31, 2009	December 31, 2008
Expected Volatility	39.5%	46.9%	44.5%
Expected Term (in years)	4.3	3.8	3.3
Risk-Free Interest Rate	1.1%	1.8%	2.0%
Dividend Yield	0.6%	0.5%	0.6%

The value of the restricted shares is based on the fair value of the award at the date of grant.

Compensation expense for stock options and restricted stock awards is recognized on a straight-line basis over the vesting period, generally three years for stock options, four years for employee restricted stock awards, and four to seven years for non-employee director restricted stock awards.

A summary of stock option plan activity for 2010, 2009, and 2008 for all plans is as follows:

2010	# of Shares (000s)	Weighted Average Exercise Price
Outstanding at beginning of year	3,286	\$ 11.28
Granted	291	32.13
Exercised	(616)	7.04
Cancelled	(6)	17.83
Outstanding at end of year	2,955	\$ 14.21
Exercisable at end of year	2,053	\$ 10.53

2009	# of Shares (000s)	Weighted Average Exercise Price
Outstanding at beginning of year	3,594	\$ 9.21
Granted	339	21.38
Exercised	(628)	4.79
Cancelled	(19)	14.10
Outstanding at end of year	3,286	\$ 11.28
Exercisable at end of year	2,255	\$ 8.52

2008	# of Shares (000s)	Weighted Average Exercise Price
Outstanding at beginning of year	2,916	\$ 7.10
Granted	876	15.35
Exercised	(196)	5.31
Cancelled	(2)	13.61
Outstanding at end of year	3,594	\$ 9.21
Exercisable at end of year	2,530	\$ 6.89

The aggregate intrinsic value for outstanding stock options was \$57,930, \$36,342 and \$26,873 at December 31, 2010, 2009 and 2008, respectively, with a weighted average remaining contractual term of 6.4 years at December 31, 2010. Exercisable stock options at December 31, 2010 had an aggregate intrinsic value of \$47,799 with a weighted average remaining contractual term of 5.4 years.

Other information pertaining to option activity during the years ended December 31, 2010, 2009 and 2008 was as follows:

	Year Ended December 31,		
	2010	2009	2008
Weighted-average fair value of options granted	\$ 10.10	\$ 7.74	\$ 4.98
Total intrinsic value of stock options exercised (\$000s)	\$ 12,821	\$ 7,425	\$ 2,023

Additional information related to stock options outstanding under all plans at December 31, 2010 is as follows:

Range of Exercise Prices	Shares Outstanding (000s)	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Term	Weighted Average Exercise Price	Number Exercisable (000s)	Weighted Average Exercise Price
\$ 3.46 - \$12.45	1,474	4.5 years	\$ 8.35	1,474	\$ 8.35
13.61 - 22.34	1,191	7.9 years	17.07	579	16.06
24.95 - 32.21	290	9.9 years	32.17	-	-
	2,955	6.4 years	\$ 14.21	2,053	\$ 10.53

Non-vested restricted stock activity for the years ended December 31, 2010, 2009 and 2008 is summarized below:

	Shares (000s)	Weighted Average Grant Date Fair Value
Non-vested balance as of December 31, 2009	418	\$ 14.56
Granted	51	32.26
Vested	(106)	12.47
Forfeited	-	-
Non-vested balance as of December 31, 2010	363	\$ 17.66

	Shares (000s)	Weighted Average Grant Date Fair Value
Non-vested balance as of December 31, 2008	347	\$ 13.39
Granted	71	21.34
Vested	-	-
Forfeited	-	-
Non-vested balance as of December 31, 2009	418	\$ 14.56

	Shares (000s)	Weighted Average Grant Date Fair Value
Non-vested balance as of December 31, 2007	176	\$ 11.00
Granted	198	15.29
Vested	(27)	11.36
Forfeited	-	-
Non-vested balance as of December 31, 2008	347	\$ 13.39

As of December 31, 2010, 2009 and 2008, there was \$8,795, \$8,291 and \$7,248, respectively, of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans. As of December 31, 2010, the unrecognized compensation cost is expected to be recognized over a weighted-average period of 2 years. We estimate that share-based compensation expense for the year ended December 31, 2011 will be approximately \$4,100.

STOCK SPLITS AND REPURCHASE OF COMMON STOCK

On December 11, 2009, the Board of Directors of the Company approved a three-for-two split of the Company's common stock to be effected in the form of a stock dividend to shareholders of record on December 30, 2009. Such stock dividend was made on January 20, 2010. The stock split was recognized by reclassifying the par value of the additional shares resulting from the split, from additional paid-in capital to common stock. The stock split was applied retroactively to all periods presented.

The Company has an approved stock repurchase program. The total authorization under this program is 3,763,038 shares. Since the inception of the program, a total of 1,990,943 shares have been purchased, none of which remained in treasury at December 31, 2010 or 2009. During 2010, a total of 29,143 shares have been purchased at an average cost of \$32.14 per share. The Company intends to acquire shares from time to time at prevailing market prices if and to the extent it deems it advisable to do so based on its assessment of corporate cash flow, market conditions and other factors.

NOTE 3 - INVENTORIES

Inventories at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Raw materials	\$ 7,114	\$ 5,799
Work in progress	899	793
Finished goods	7,707	7,373
Total inventories	\$ 15,720	\$ 13,965

On a regular basis, the Company evaluates its inventory balances for excess quantities and obsolescence by analyzing demand, inventory on hand, sales levels and other information. Based on these evaluations, inventory balances are reduced, if necessary. The reserve for inventory was \$159 and \$799 at December 31, 2010 and 2009, respectively.

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2010 and 2009 are summarized as follows:

	2010	2009
Land	\$ 2,002	\$ 2,112
Building	15,589	15,593
Equipment	58,018	54,068
Construction in progress	5,734	2,676
	81,343	74,449
Less: Accumulated depreciation	37,955	32,870
Property, plant and equipment, net	\$ 43,388	\$ 41,579

Depreciation expense was \$4,644, \$4,480 and \$4,144 for the years ended December 31, 2010, 2009 and 2008, respectively.

NOTE 5 - ACQUISITIONS

In June of 2010, pursuant to a stock purchase agreement, the Company acquired the capital stock of Aberco, Inc, a Maryland Corporation, a marketer and distributor of propylene oxide for use as a fumigant. The assets acquired and liabilities assumed as part of this acquisition are not material to the financial

statements. Also, the effect of this acquisition on pro forma revenue and earnings for the periods presented is not material to the financial statements.

NOTE 6 - INTANGIBLE ASSETS WITH FINITE LIVES

As of December 31, 2010 and 2009, the Company had identifiable intangible assets as follows:

	Amortization Period (In years)	2010 Gross Carrying Amount	2010 Accumulated Amortization	2009 Gross Carrying Amount	2009 Accumulated Amortization
Customer lists	10	\$ 37,142	\$ 13,633	\$ 34,150	\$ 10,011
Regulatory re-registration costs	10	1,302	90	93	11
Patents & trade secrets	15-17	1,548	599	1,683	504
Trademarks & trade names	17	906	303	911	251
Other	5-10	753	377	755	311
		\$ 41,651	\$ 15,002	\$ 37,592	\$ 11,088

Amortization of identifiable intangible assets was approximately \$3,915, \$3,650 and \$3,642 for 2010, 2009 and 2008, respectively. Assuming no change in the gross carrying value of identifiable intangible assets, the estimated amortization expense is approximately \$4,000 per annum for 2011 through 2015. At December 31, 2010 and 2009, there were no identifiable intangible assets with indefinite useful lives as defined by ASC 350, "Intangibles-Goodwill and Other." Identifiable intangible assets are reflected in the Company's consolidated balance sheets under Intangible assets, net. There were no changes to the useful lives of intangible assets subject to amortization in 2010 and 2009.

At December 31, 2010, the gross carrying amount included a customer list and registrations acquired as part of the Aberco acquisition in 2010, a customer list acquired as part of the Chinook Acquisition in 2007, as well as a customer list, trade name and trade secrets acquired as part of the CMC Acquisition in 2006.

The Federal Insecticide, Fungicide and Rodenticide Act, ("FIFRA"), a health and safety statute, requires that certain products within our specialty products segment must be registered with the U.S. Environmental Protection Agency ("EPA") because they are considered pesticides. Costs of such registration are included as regulatory re-registration costs in the table above.

NOTE 7 - LONG-TERM DEBT & CREDIT AGREEMENTS

The Company and its principal bank have a Loan Agreement (the "European Loan Agreement") providing for an unsecured term loan of \$9,940 (the "European Term Loan"). The European Term Loan is payable in equal monthly installments of principal, each equal to 1/84th of the principal of the European Term Loan, together with accrued interest, with remaining principal and interest payable at maturity. Effective April 30, 2010, the European Term Loan was renewed with a new maturity date of May 1, 2014, and is subject to a monthly interest rate equal to EURIBOR plus 1%. At December 31, 2010, this interest rate was 1.81%. At December 31, 2010, the European Term Loan had an outstanding balance of €3,661, translated to \$4,852. The European Loan Agreement also provides for a short-term revolving credit facility of €3,000, translated to \$3,976 as of December 31, 2010 (the "European Revolving Facility"). The European Revolving Facility has been renewed for a period of one year as of May 1, 2010. The European Revolving Facility is subject to a monthly interest rate equal to EURIBOR plus 1.45%, and accrued interest is payable monthly. No amounts are outstanding on the European Revolving Facility as of the date hereof. Management believes that such facility will be renewed in the normal course of business.

The Company and its principal bank have a Loan Agreement (the "Loan Agreement"), which provides for a short-term revolving credit facility of \$6,000 (the "Revolving Facility"). The Revolving Facility is subject to a monthly interest rate equal to LIBOR plus 1%, and accrued interest is payable monthly. At December 31, 2010, this interest rate was 1.26%. No amounts are outstanding on the Revolving Facility as of the date hereof. The Revolving Facility has been renewed with a new maturity date of May 31, 2011. Management believes that such facility will be renewed in the normal course of business.

At December 31, 2010, we had a total of \$4,914 of debt outstanding, as compared to a total of \$6,783 debt outstanding at December 31, 2009. Indebtedness under the Company's loan agreements are secured by assets of the Company.

The Company's debt obligations, excluding revolver borrowings, as of December 31, 2010, are summarized in the table below:

	Payments due by period					
	Total	Year 1	Year 2	Year 3	Year 4	Thereafter
Long-term debt obligations	\$ 4,914	\$ 1,482	\$ 1,420	\$ 1,420	\$ 592	\$ -

NOTE 8 - INCOME TAXES

Income tax expense consists of the following:

	2010	2009	2008
Current:			
Federal	\$ 14,329	\$ 11,922	\$ 8,849
Foreign	1,287	1,700	908
State	1,906	1,425	107
Deferred:			
Federal	(803)	(1,181)	(473)
Foreign	183	53	31
State	(48)	(102)	(41)
Total income tax provision	\$ 16,854	\$ 13,817	\$ 9,381

The provision for income taxes differs from the amount computed by applying the Federal statutory rate of 35% to earnings before income tax expense due to the following:

	2010	2009	2008
Income tax at Federal statutory rate	\$ 17,546	\$ 14,211	\$ 9,951
State income taxes, net of Federal income tax benefit	987	766	-
Other	(1,679)	(1,160)	(570)
Total income tax provision	\$ 16,854	\$ 13,817	\$ 9,381

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2010 and 2009 were as follows:

	2010	2009
Deferred tax assets:		
Inventories	\$ 388	\$ 721
Restricted stock and stock options	3,352	2,525
Other	774	683
Total deferred tax assets	4,514	3,929
Deferred tax liabilities:		
Customer list and goodwill amortization	\$ 3,313	\$ 1,783
Depreciation	4,855	4,866
Prepaid expense	642	618
Trade names and trademarks	171	199
Technology and trade secrets	192	224
Other	431	378
Total deferred tax liabilities	9,604	8,068
Net deferred tax liability	\$ 5,090	\$ 4,139

There is no valuation allowance for deferred tax assets at December 31, 2010 and 2009. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences. The amount of deferred tax asset realizable, however, could change if management's estimate of future taxable income should change.

The Company adopted the provisions of ASC 740-10 on January 1, 2007. FIN 48 clarifies whether or not to recognize assets or liabilities for tax positions taken that may be challenged by a tax authority. Upon adoption of ASC 740-10, the Company recognized approximately a \$291 decrease in its retained earnings balance. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2010	2009	2008
Balance at beginning of period	\$ 972	\$ 813	\$ 733
Increases for tax positions of prior years	97	73	-
Decreases for tax positions of prior years	(127)	(131)	(151)
Increases for tax positions related to current year	304	217	231
Balance at end of period	\$ 1,246	972	\$ 813

All of the Company's unrecognized tax benefits, if recognized in future periods, would impact the Company's effective tax rate in such future periods.

The Company recognizes both interest and penalties as part of the income tax provision. During the years ended December 31, 2010, 2009 and 2008, the Company recognized approximately \$152, \$110 and \$22 in interest and penalties, respectively. As of December 31, 2010 and 2009, accrued interest and penalties were \$414 and \$262, respectively.

The Company files income tax returns in the U.S. and in various states and foreign countries. In the major jurisdictions where the Company operates, it is generally no longer subject to income tax examinations by tax authorities for years before 2007. The Company does not anticipate any material change in the total amount of unrecognized tax benefits to occur within the next twelve months.

NOTE 9 - NET EARNINGS PER COMMON SHARE

The following presents a reconciliation of the numerator and denominator used in calculating basic and diluted net earnings per common share:

2010	Earnings (Numerator)	Number of Shares (Denominator)	Per Share Amount
Basic EPS – Net earnings and weighted average common shares outstanding	\$ 33,277	27,964,348	\$1.19
Effect of dilutive securities – stock options and restricted stock		<u>1,656,317</u>	
Diluted EPS – Net earnings and weighted average common shares outstanding and effect of stock options and restricted stock	\$ 33,277	29,620,665	\$1.12

2009	Earnings (Numerator)	Number of Shares (Denominator)	Per Share Amount
Basic EPS – Net earnings and weighted average common shares outstanding	\$ 26,785	27,420,091	\$.98
Effect of dilutive securities – stock options and restricted stock		<u>1,454,303</u>	
Diluted EPS – Net earnings and weighted average common shares outstanding and effect of stock options and restricted stock	\$ 26,785	28,874,394	\$.93
2008	Earnings (Numerator)	Number of Shares (Denominator)	Per Share Amount
Basic EPS – Net earnings and weighted average common shares outstanding	\$ 19,050	26,950,249	\$.71
Effect of dilutive securities – stock options and restricted stock		<u>1,570,986</u>	
Diluted EPS – Net earnings and weighted average common shares outstanding and effect of stock options and restricted stock	\$ 19,050	28,521,235	\$.67

The Company had 288,000, 338,400 and 415,350 stock options outstanding at December 31, 2010, 2009 and 2008, respectively that could potentially dilute basic earnings per share in future periods that were not included in diluted earnings per share because their effect on the period presented was anti-dilutive.

The Company has some share-based payment awards that have non-forfeitable dividend rights. These awards are restricted shares and they participate on a one-for-one basis with holders of common stock. These awards have an immaterial impact as participating securities with regard to the calculation using the two-class method for determining earnings per share.

NOTE 10 - EMPLOYEE BENEFIT PLANS

The Company sponsors a 401(k) savings plan for eligible employees. The plan allows participants to make pretax contributions and the Company matches certain percentages of those pretax contributions with shares of the Company's common stock. The profit sharing portion of the plan is discretionary and non-contributory. All amounts contributed to the plan are deposited into a trust fund administered by independent trustees. The Company provided for profit sharing contributions and matching 401(k) savings plan contributions of \$778 and \$431 in 2010, \$745 and \$430 in 2009 and \$624 and \$406 in 2008, respectively.

The Company also currently provides postretirement benefits in the form of an unfunded retirement medical plan under a collective bargaining agreement covering eligible retired employees of the Verona facility. The Company uses a December 31 measurement date for its postretirement medical plan. In accordance with ASC 715, "Compensation—Retirement Benefits," the Company is required to recognize the over funded or under funded status of a defined benefit post retirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position, and to recognize changes in that funded status in the year in which the changes occur through comprehensive income.

The actuarial recorded liabilities for such unfunded postretirement benefit is as follows:

Change in benefit obligation:

	2010	2009
Benefit obligation at beginning of year	\$ 888	\$ 801
Service cost with interest to end of year	34	33
Interest cost	45	43
Participant contributions	8	14
Benefits paid	(82)	(45)
Actuarial (gain) or loss	403	42
Benefit obligation at end of year	\$ 1,296	\$ 888

Change in plan assets:

	2010	2009
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	74	31
Participant contributions	8	14
Benefits paid	(82)	(45)
Fair value of plan assets at end of year	\$ -	\$ -

Amounts recognized in consolidated balance sheet:

	2010	2009
Accumulated postretirement benefit obligation	\$ (1,296)	\$ (888)
Fair value of plan assets	-	-
Funded status	(1,296)	(888)
Unrecognized prior service cost	N/A	N/A
Unrecognized net (gain)/loss	N/A	N/A
Net amount recognized in consolidated balance sheet (after ASC 715)	\$ 1,296	\$ 888
(included in other long-term obligations)		
Accrued postretirement benefit cost		
(included in other long-term obligations)	\$ N/A	\$ N/A

Components of net periodic benefit cost:

	2010	2009	2008
Service cost with interest to end of year	\$ 35	\$ 33	\$ 28
Interest cost	45	43	40
Amortization of prior service cost	(18)	(19)	(18)
Amortization of gain	(3)	(3)	(6)
Total net periodic benefit cost	\$ 59	\$ 54	\$ 44

Estimated future employer contributions and benefit payments are as follows:

Year	
2011	\$ 43
2012	29
2013	19
2014	16
2015	29
Years 2016-2020	563

Assumed health care cost trend rates have been used in the valuation of postretirement health insurance benefits. The trend rate is 9.51 percent in 2010 declining to 4.5 percent in 2027 and thereafter. A one percentage point increase in health care cost trend rates in each year would increase the accumulated postretirement benefit obligation as of December 31, 2010 by \$157 and the net periodic postretirement benefit cost for 2010 by \$11. A one percentage point decrease in health care cost trend rates in each year would decrease the accumulated postretirement benefit obligation as of December 31, 2010 by \$137 and

the net periodic postretirement benefit cost for 2010 by \$10. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 5.10% in 2010 and 5.45% in 2009.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

In February 2006, the Company entered into a lease agreement under which the Company leases a portion of a Channahon, Illinois facility where it conducts manufacturing and utilizes certain warehouse space. The Company expects to terminate its lease at this location effective June 30, 2011.

In February 2002, the Company entered into a ten (10) year lease which became cancelable in 2009 for approximately 20,000 square feet of office space. The office space is now serving as the Company's general offices and as a laboratory facility. The Company leases most of its vehicles and office equipment under non-cancelable operating leases, which primarily expire at various times through 2015. Rent expense charged to operations under such lease agreements for 2010, 2009 and 2008 aggregated approximately \$1,113, \$1,183 and \$1,284, respectively. Aggregate future minimum rental payments required under non-cancelable operating leases at December 31, 2010 are as follows:

Year	
2011	\$852
2012	416
2013	211
2014	152
2015	111
Thereafter	116
Total minimum lease payments	\$ 1,858

In 1982, the Company discovered and thereafter removed a number of buried drums containing unidentified waste material from the Company's site in Slate Hill, New York. The Company thereafter entered into a Consent Decree to evaluate the drum site with the New York Department of Environmental Conservation ("NYDEC") and performed a Remedial Investigation/Feasibility Study that was approved by NYDEC in February 1994. Based on NYDEC requirements, the Company cleaned the area and removed additional soil from the drum burial site, which was completed in 1996. The Company continues to be involved in discussions with NYDEC to evaluate test results and determine what, if any, additional actions will be required on the part of the Company to close out the remediation of this site. Additional actions, if any, would likely require the Company to continue monitoring the site. The cost of such monitoring has been less than \$5 per year for the period 2004 – 2010.

The Company's Verona, Missouri facility, while held by a prior owner, was designated by the EPA as a Superfund site and placed on the National Priorities List in 1983, because of dioxin contamination on portions of the site. Remediation conducted by the prior owner under the oversight of the EPA and the Missouri Department of Natural Resources ("MDNR") included removal of dioxin contaminated soil and equipment, capping of areas of residual contamination in four relatively small areas of the site separate from the manufacturing facilities, and the installation of wells to monitor groundwater and surface water contamination by organic chemicals. No ground water or surface water treatment was required. The Company believes that remediation of the site is complete. In 1998, the EPA certified the work on the contaminated soils to be complete. In February 2000, after the conclusion of two years of monitoring groundwater and surface water, the former owner submitted a draft third party risk assessment report to the EPA and MDNR recommending no further action. The prior owner is awaiting the response of the EPA and MDNR to the draft risk assessment.

While the Company must maintain the integrity of the capped areas in the remediation areas on the site, the prior owner is responsible for completion of any further Superfund remedy. The Company is indemnified by the sellers under its May 2001 asset purchase agreement covering its acquisition of the Verona, Missouri facility for potential liabilities associated with the Superfund site and one of the sellers, in turn, has the benefit of certain contractual indemnification by the prior owner that is implementing the above-described Superfund remedy.

From time to time, the Company is a party to various litigation, claims and assessments. Management believes that the ultimate outcome of such matters will not have a material effect on the Company's consolidated financial position, results of operations, or liquidity.

NOTE 12 - SEGMENT INFORMATION

The Company's reportable segments are strategic businesses that offer products and services to different markets. The Company presently has three segments: Specialty Products; Food, Pharma & Nutrition; and Animal Nutrition & Health. The Specialty Products segment provides specialty-packaged chemicals for use in healthcare and other industries. Human choline nutrient products, pharmaceutical products and encapsulated products are reported in the Food, Pharma & Nutrition segment. This segment provides microencapsulation solutions to a variety of applications in food, pharmaceutical and nutritional ingredients to enhance performance of nutritional fortification, processing, mixing, packaging applications and shelf-life. The Animal Nutrition & Health segment is in the business of manufacturing and supplying choline chloride, an essential nutrient for animal health, to the poultry and swine industries. In addition, certain derivatives of choline chloride are also manufactured and sold into industrial applications and are included in this segment. Chelated minerals and specialty nutritional products for the animal health industry are also reported in this segment. The Company sells products for all segments through its own sales force, independent distributors, and sales agents. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Business Segment Net Sales:

	2010	2009	2008
Specialty Products	\$ 42,239	\$ 36,368	\$ 35,835
Food, Pharma & Nutrition	41,994	35,407	35,702
Animal Nutrition & Health	170,838	147,663	160,513
Total	\$ 255,071	\$ 219,438	\$ 232,050

Business Segment Earnings Before Income Taxes:

	2010	2009	2008
Specialty Products	\$ 15,944	\$ 14,250	\$ 12,545
Food, Pharma & Nutrition	9,748	5,029	5,469
Animal Nutrition & Health	24,078	21,380	11,334
Interest and other income (expense)	361	(57)	(917)
Total	\$ 50,131	\$ 40,602	\$ 28,431

Depreciation/Amortization:

	2010	2009	2008
Specialty Products	\$ 1,071	\$ 826	\$ 913
Food, Pharma & Nutrition	1,551	1,489	1,316
Animal Nutrition & Health	5,937	5,815	5,557
Total	\$ 8,559	\$ 8,130	\$ 7,786

Business Segment Assets:

	2010	2009	2008
Specialty Products	\$ 25,113	\$ 19,235	\$ 21,394
Food, Pharma & Nutrition	22,287	22,156	22,081
Animal Nutrition & Health	102,310	98,784	105,296
Other Unallocated	78,914	47,638	5,703
Total	\$ 228,624	\$ 187,813	\$ 154,474

Other unallocated assets consist of certain cash, receivables, prepaid expenses, equipment and leasehold improvements, net of accumulated depreciation, and deferred income taxes, which the Company does not allocate to its individual business segments.

Capital Expenditures:

	2010	2009	2008
Specialty Products	\$ 334	\$ 286	\$ 612
Food, Pharma & Nutrition	1,390	639	955
Animal Nutrition & Health	5,833	2,504	3,513
Total	\$ 7,557	\$ 3,429	\$ 5,080

Geographic Revenue Information:

	2010	2009	2008
United States	\$ 170,949	\$ 145,226	\$ 146,753
Foreign Countries	84,122	74,212	85,297
Total	\$ 255,071	\$ 219,438	\$ 232,050

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION**Cash paid during the year for:**

	2010	2009	2008
Income taxes	\$ 17,348	\$ 12,001	\$ 9,379
Interest	\$ 111	\$ 214	\$ 958

Cash paid during the year for acquisition of assets:

	2010	2009	2008
Assets acquired	\$ 7,313	\$ -	\$ 296
Less: liabilities assumed	(2,652)	-	-
Cash paid for acquisitions	\$ 4,661	\$ -	\$ 296

Non-cash financing activities:

	2010	2009	2008
Dividends payable	\$ 4,311	\$ 3,091	\$ 2,008

NOTE 14 - QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

(In thousands, except per share data)

	2010				2009			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$59,903	\$ 61,458	\$63,910	\$69,800	\$52,986	\$ 52,976	\$54,292	\$59,184
Gross profit	17,414	19,116	20,233	21,274	16,298	17,304	16,399	16,957
Earnings before income taxes	10,661	12,551	12,945	13,974	9,166	10,303	10,323	10,810
Net earnings	7,029	8,339	8,493	9,416	6,098	6,869	6,852	6,966
Basic net earnings per common share	\$.25	\$.30	\$.30	\$.33	\$.23	\$.25	\$.25	\$.25
Diluted net earnings per common share	\$.24	\$.28	\$.29	\$.31	\$.21	\$.24	\$.24	\$.24

BALCHEM CORPORATION
Valuation and Qualifying Accounts
Years Ended December 31, 2010, 2009 and 2008
(In thousands)

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions Charged (Credited) to Costs and Expenses</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
Year ended December 31, 2010				
Allowance for doubtful accounts	\$ 357	\$ (235)	\$ -	\$ 122
Inventory reserve	799	279	(919) (a)	159
Year ended December 31, 2009				
Allowance for doubtful accounts	\$ 50	\$ 313	\$ (6) (a)	\$ 357
Inventory reserve	94	924	(219) (a)	799
Year ended December 31, 2008				
Allowance for doubtful accounts	\$ 50	\$ -	\$ -	\$ 50
Inventory reserve	174	58	(138) (a)	94

(a) represents write-offs.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2010. Based on that evaluation, management has concluded that, as of such date, our disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our Company have been detected. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management does not expect that the Company's disclosure controls and procedures or its internal control over financial reporting will prevent or detect all errors and all fraud.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood

of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

As of December 31, 2010, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting was effective as of December 31, 2010.

Attestation Report of Registered Public Accounting Firm

The independent registered public accounting firm of McGladrey & Pullen, LLP, has issued an attestation report on the Company's internal control over financial reporting, which is included herein.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting in our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers of the Registrant, and Corporate Governance.

- (a) Directors of the Company.

The required information is to be set forth in the Company's Proxy Statement for the 2010 Annual Meeting of Stockholders (the "2010 Proxy Statement") under the caption "Directors and Executive Officers," which information is hereby incorporated herein by reference.

- (b) Executive Officers of the Company.

The required information is to be set forth in the 2011 Proxy Statement under the caption "Directors and Executive Officers," which information is hereby incorporated herein by reference.

- (c) Section 16(a) Beneficial Ownership Reporting Compliance.

The required information is to be set forth in the 2011 Proxy Statement under the caption "Section 16(a) Beneficial Ownership Reporting Compliance," which information is hereby incorporated herein by reference.

- (d) Code of Ethics.

The Company has adopted a Code of Ethics for Senior Financial Officers that applies to its Chief Executive Officer (principal executive officer), Chief Financial Officer (principal financial officer and principal accounting officer) and its Treasurer. The Company's Code of Ethics for Senior Financial Officers is filed as Exhibit 14 to this Annual Report on Form 10-K.

- (e) Corporate Governance.

The required information is to be set forth in the 2011 Proxy Statement under the caption "Corporate Governance," which information is hereby incorporated herein by reference.

Item 11. Executive Compensation.

The information required by this Item is to be set forth in the 2011 Proxy Statement under the caption "Directors and Executive Officers," which information is hereby incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item is to be set forth in the 2011 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and of Management" and the caption "Equity Compensation Plan Information," all of which information is hereby incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence.

The information required by this Item is set forth in the 2011 Proxy Statement under the caption "Directors and Executive Officers," which information is hereby incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this Item is set forth in the 2011 Proxy Statement under the caption "Independent Auditor Fees," which information is hereby incorporated herein by reference.

Item 15. Exhibits and Financial Statement Schedules.

The following documents are filed as part of this Form 10-K:

	Form 10-K Page Number
1. Financial Statements	
Report of Independent Registered Public Accounting Firm	25
Consolidated Balance Sheets as of December 31, 2010 and 2009	27
Consolidated Statements of Earnings for the years ended December 31, 2010, 2009 and 2008	28
Consolidated Statements of Stockholders' Equity and Comprehensive Income for the years ended December 31, 2010, 2009 and 2008	29
Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008	30
Notes to Consolidated Financial Statements	31
2. Financial Statement Schedules	
Schedule II – Valuation and Qualifying Accounts for the years ended December 31, 2010, 2009 and 2008	48
3. Exhibits	
2.1 Sale and Purchase Agreement dated March 30, 2007, by and between Balchem B.V. and Akzo Nobel Chemicals S.p.A. (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K dated March 30, 2007).	
2.2 Asset Purchase Agreement dated March 16, 2007, by and between BCP Ingredients, Inc. and Chinook Global Limited (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K dated March 16, 2007).	

- 3.1 Composite Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K dated March 16, 2006 for the year ended December 31, 2005).
- 3.2 Balchem Corporation Articles of Amendment (incorporated by reference to Exhibit A to the Company's definitive proxy statement on Schedule 14A filed with the Commission on April 25, 2008)
- 3.3 Composite By-laws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated January 2, 2008).
- 10.1 Tolling Agreement, dated March 16, 2007 between BCP Ingredients, Inc. and Chinook Global Limited (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 16, 2007).
- 10.2 Non-Competition Agreement, dated March 16, 2007 between BCP Ingredients, Inc. and Chinook Global Limited; Chinook Services, LLC; Chinook, LLC; Dean R. Lacy; Ronald Breen, and John N. Kennedy (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated March 16, 2007).
- 10.3 Loan Agreement dated March 16, 2007 by and between Bank of America, N.A. and Balchem Corporation (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated March 16, 2007).
- 10.4 Promissory Note (Term Loan) dated March 16, 2007 from Balchem Corporation to Bank of America, N.A (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K dated March 16, 2007).
- 10.5 Promissory Note (Revolving Line of Credit) dated March 16, 2007 from Balchem Corporation to Bank of America, N.A. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K dated March 16, 2007).
- 10.6 Guaranty dated March 16, 2007 from BCP Ingredients, Inc. to Bank of America, N.A. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K dated March 16, 2007).
- 10.7 Incentive Stock Option Plan of the Company, as amended, (incorporated by reference to the Company's Registration Statement on Form S-8, File No. 333-35910, dated October 25, 1996, and to Proxy Statement, dated April 22, 1998, for the Company's 1998 Annual Meeting of Stockholders (the "1998 Proxy Statement")).*
- 10.8 Stock Option Plan for Directors of the Company, as amended (incorporated by reference to the Company's Registration Statement on Form S-8, File No. 333-35912, dated October 25, 1996, and to the 1998 Proxy Statement).
- 10.9 Balchem Corporation Amended and Restated 1999 Stock Plan (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).*
- 10.10 Balchem Corporation Second Amended and Restated 1999 Stock Plan, (incorporated by reference to the Company's Registration Statement on Form S-8, File No. 333-155655, dated November 25, 2008, and to Proxy Statement, dated April 25, 2008, for the Company's 2008 Annual Meeting of Stockholders.*
- 10.11 Balchem Corporation 401(k)/Profit Sharing Plan, dated January 1, 1998 (incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8, File No. 333-118291, dated August 17, 2004).*
- 10.12 Employment Agreement, dated as of January 1, 2001, between the Company and Dino A. Rossi (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001 (the "2001 10-K")). *

- 10.13 Lease dated as of February 8, 2002 between Sunrise Park Realty, Inc. and Balchem Corporation (incorporated by reference to Exhibit 10.7 to the 2001 10-K).
- 10.14 Form of Restricted Stock Purchase Agreement for Directors (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 30, 2005).
- 14. Code of Ethics for Senior Financial Officers (incorporated by reference to Exhibit 14 to the Company's Annual Report on Form 10-K dated March 15, 2004 for the year ended December 31, 2003).
- 21. Subsidiaries of Registrant.
- 23.1 Consent of McGladrey & Pullen, LLP, Independent Registered Public Accounting Firm.
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
- 32.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
- 32.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

* Each of the Exhibits noted by an asterisk is a management compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 28, 2011

BALCHEM CORPORATION

By: /s/ Dino A. Rossi

Dino A. Rossi, Chairman, President, and
Chief Executive Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Dino A. Rossi

Dino A. Rossi, Chairman, President,
Chief Executive Officer, and Director (Principal Executive Officer)

Date: February 28, 2011

/s/ Francis J. Fitzpatrick

Francis J. Fitzpatrick, Chief Financial
Officer and Treasurer (Principal Financial and Principal Accounting Officer)

Date: February 28, 2011

/s/ Paul D. Coombs

Paul D. Coombs, Director

Date: February 28, 2011

/s/ David B. Fischer

David B. Fischer, Director

Date: February 28, 2011

/s/ Edward L. McMillan

Edward L. McMillan, Director

Date: February 28, 2011

/s/ Perry W. Premdas

Perry W. Premdas, Director

Date: February 28, 2011

/s/ Dr. John Televantos

Dr. John Televantos, Director

Date: February 28, 2011

/s/ Dr. Elaine Wedral

Dr. Elaine Wedral, Director

Date: February 28, 2011

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
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 - 10.11 Balchem Corporation 401(k)/Profit Sharing Plan, dated January 1, 1998 (incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-8, File No. 333-118291, dated August 17, 2004).*
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- * Each of the Exhibits noted by an asterisk is a management compensatory plan or arrangement.

LIST OF SUBSIDIARIES

<u>Subsidiaries of the Registrant</u>	<u>Jurisdiction of Organization</u>
BCP Ingredients, Inc.	Delaware
Balchem Minerals Corporation	Delaware
Chelated Minerals Corporation	Utah
BCP Saint Gabriel, Inc.	Delaware
Balchem BV	Netherlands
Balchem Trading BV	Netherlands
Balchem Italia Srl	Italy
Balchem Ltd.	Canada
Aberco, Inc.	Maryland

Consent of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Balchem Corporation

We consent to the incorporation by reference in Registration Statements (Nos. 333-155655, 333-118292, 333-118291, 333-78355, 333-44489, 333-5912 and 333-5910) on Form S-8 of Balchem Corporation and subsidiaries of our report dated February 28, 2011 relating to our audits of the consolidated financial statements, the financial statement schedule and internal control over financial reporting, which appear in this Annual Report on Form 10-K of Balchem Corporation for the year ended December 31, 2010.

/s/McGladrey & Pullen, LLP
New York, New York
February 28, 2011

CERTIFICATIONS

I, Dino A. Rossi, certify that:

1. I have reviewed this annual report on Form 10-K of Balchem Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2011

/s/ Dino A. Rossi
Dino A. Rossi, Chairman, President, and
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Francis J. Fitzpatrick, certify that:

1. I have reviewed this annual report on Form 10-K of Balchem Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2011

/s/ Francis J. Fitzpatrick
Francis J. Fitzpatrick,
Chief Financial Officer and Treasurer
(Principal Financial and Principal
Accounting Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Balchem Corporation (the "Company") on Form 10-K for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dino A. Rossi, Chairman, President, and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Dino A. Rossi
Dino A. Rossi
Chairman, President, and
Chief Executive Officer
(Principal Executive Officer)
February 28, 2011

This certification accompanies the above-described Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Balchem Corporation (the "Company") on Form 10-K for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Francis J. Fitzpatrick, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Francis J. Fitzpatrick
Francis J. Fitzpatrick
Chief Financial Officer and Treasurer
(Principal Financial and Principal
Accounting Officer)
February 28, 2011

This certification accompanies the above-described Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CORPORATE INFORMATION

Board of Directors

Dino A. Rossi
*Chairman, President and
Chief Executive Officer*

Paul D. Coombs
*Retired, Executive Vice President
and Chief Operating Officer of
Tetra Technologies*

David B. Fischer
*President and Chief Executive
Officer of Greif, Inc.*

Edward L. McMillan
*Owns McMillan, LLC,
a transaction-consulting firm
Past President and Chief Executive
Officer of Purina Mills*

Perry W. Premdas
*Retired, Chief Financial Officer
of Celanese AG*

Dr. John Y. Televantos
*Lead Director
Executive Vice President of
Arsenal Capital Partners*

Dr. Elaine R. Wedral
*Retired, President of Nestle's
Research and Development,
Food Service Systems*

Corporate Officers

Dino A. Rossi
*Chairman, President and
Chief Executive Officer*

Frank J. Fitzpatrick
*Chief Financial Officer,
Treasurer and Assistant Secretary*

Matthew D. Houston
*General Counsel and
Secretary*

David F. Ludwig
*Vice President/General Manager
ARC Specialty Products*

Paul H. Richardson
*Vice President
Research & Development*

Headquarters

Balchem Corporation
52 Sunrise Park Road
New Hampton, NY 10958

Manufacturing Locations

Slate Hill, NY; Green Pond, SC;
Verona, MO; Channahon, IL;
Salt Lake City, UT; St. Gabriel, LA;
and Marano Ticino, Italy

Exchange

NASDAQ Global Market

Listed Security

BCPC Common Stock

Annual Report

For information relating to the
Annual Report please contact
Karin McCaffery at 845.326.5600.

Investor Relations

Jackie Powell
Virtual Business Solutions
864.486.8065

Transfer Agent

Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016

Corporate Counsel

Duane Morris LLP
470 Atlantic Avenue, Suite 500
Boston, MA 02210

Independent Accountants

McGladrey & Pullen, LLP
1185 Avenue of the Americas, 6th Fl.
New York, NY 10036

Website:

www.balchem.com



Balchem Corporation

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New Hampton, NY 10958

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