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BALCHEM CORP
Form 11-K
June 29, 2007

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

FORM 11-K

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

For the fiscal year ended: December 31, 2006

OR

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

For transition period from _____ to _____

Commission file number 1-13648

A. Full title of the plan and the address of the plan, if different from
that of the issuer named below:

Balchem Corporation 401(k)/Profit Sharing Plan

B. Name of the issuer of the securities held pursuant to the plan and the
address of its principal executive office:

Balchem Corporation
52 Sunrise Park Road
PO Box 600
New Hampton, NY 10958

REQUIRED INFORMATION

Financial Statements:

4. In lieu of requirements of Items 1-3, audited financial statements and
schedules prepared in accordance with the requirements of ERISA for the plan's
fiscal year ended December 31, 2006 are presented herein.

Exhibits:

Exhibit No. 23 - Consent of MCGLADREY & PULLEN, LLP, Independent Registered
Public Accounting Firm

EXHIBIT INDEX

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| Exhibit No. ----- | Exhibit Description ----- |
|----------------------|------------------------------------|
| 23 | Consent of MCGLADREY & PULLEN, LLP |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 29, 2007

BALCHEM CORPORATION
401(k)/Profit Sharing Plan

By: Balchem Corporation,
Plan Administrator

By:/s/ Dino A. Rossi

Dino A. Rossi, President,
Chief Executive Officer

By:/s/ Francis J. Fitzpatrick

Francis J. Fitzpatrick,
Chief Financial Officer

BALCHEM CORPORATION
401(k) / PROFIT SHARING PLAN

Financial Statements
and Supplemental Schedule

December 31, 2006 and 2005

(With Report of Independent Registered Public Accounting Firm)

BALCHEM CORPORATION

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401(k)/PROFIT SHARING PLAN

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Report of Independent Registered Public Accounting Firm

To the Plan Administrator
Balchem Corporation 401(k)/Profit Sharing Plan
New Hampton, New York

We have audited the accompanying statements of net assets available for benefits of Balchem Corporation 401(k)/Profit Sharing Plan (the Plan) as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2006 and 2005, and the changes in net assets available for benefits for the year ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 2, the Plan adopted Financial Accounting Standards Board Staff Position AAG INV-1 and SOP 94-4-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined Contribution Health and Welfare and Plan Plans, as of December 31, 2006.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held at end of

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year as of December 31, 2006 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the 2006 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2006 basic financial statements taken as a whole.

/s/ McGladrey & Pullen, LLP
 New York, NY
 June 29, 2007

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BALCHEM CORPORATION
 401(k)/PROFIT SHARING PLAN
 Statements of Net Assets Available for Benefits
 December 31, 2006 and 2005

| | 2006 | 2005 |
|------------------------------------|--------------|--------------|
| | ----- | ----- |
| Assets: | | |
| Investments at fair value (note 3) | \$16,243,585 | \$12,783,087 |
| Receivables: | | |
| Employer contribution | 420,026 | 326,090 |
| Participant contributions | 32,897 | -- |
| Interest | 1,034 | -- |
| | ----- | ----- |
| Total assets | \$16,697,542 | \$13,109,177 |
| | ===== | ===== |

See accompanying notes to financial statements.

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BALCHEM CORPORATION
 401(k)/PROFIT SHARING PLAN
 Statement of Changes in Net Assets Available for Benefits
 Year ended December 31, 2006

| | 2006 |
|--|------------|
| | ----- |
| Addition to net assets attributed to: | |
| Investment income: | |
| Interest | \$ 116,135 |
| Dividends | 10,391 |
| Net appreciation in fair value of investments (note 3) | 2,016,764 |
| | ----- |
| | 2,143,290 |
| | ----- |
| Contributions: | |

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| | |
|--|---------------|
| Participant | 1,275,639 |
| Employer | 767,290 |
| | ----- |
| | 2,042,929 |
| | ----- |
| Total additions | 4,186,219 |
| | ----- |
| Deductions from net assets attributed to: | |
| Benefits paid to participants | (571,827) |
| Fees | (9,523) |
| Other, net | (16,504) |
| | ----- |
| Total deductions | (597,854) |
| | ----- |
| Net increase in net assets available for benefits | 3,588,365 |
| Net assets available for benefits at beginning of year | 13,109,177 |
| | ----- |
| Net assets available for benefits at end of year | \$ 16,697,542 |
| | ===== |
| See accompanying notes to financial statements. | |

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2006 and 2005

Note 1 - Description of the Plan

The following description of the Balchem Corporation 401(k)/Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is principally a participant directed, defined contribution plan covering all active employees of Balchem Corporation (the Company) who have 60 days of service, as defined, and are 18 years of age or older, except those that are currently covered by a collective bargaining agreement. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Company pays administrative and record keeping fees for the Plan. Plan participants are required to pay fees for participant loans and certain brokerage fees for transactions pertaining to investments in Balchem Corporation Common Stock.

Contributions

Each year, participants may contribute up to 75% of pretax annual compensation, as defined in the Plan. Such amounts may be limited by the maximum amounts allowed under Internal Revenue Service regulations. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The employer matching contributions equal 35% of each participant's elected contribution and

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the Company may make discretionary profit-sharing contributions at the option of the Company's Board of Directors. Matching contributions are made in Balchem Corporation Common Stock on a monthly basis based upon the closing price of the stock on the last trading day of each month and are subject to the vesting schedule described below. Included in employers' contribution receivable as of December 31, 2006 and 2005 were discretionary Company profit sharing contributions made in March 2007 and February 2006 for the 2006 and 2005 plan years totaling \$395,424 and \$326,090, respectively.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of the Company's matching contributions and plan earnings or losses. Allocations are based on participant account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2006 and 2005

Vesting

Participants are 100% vested in their contributions plus actual earnings or losses thereon. Vesting in the Company contribution portion of their accounts plus actual earnings or losses thereon is based on years of continuous service, as defined. A participant becomes 100% vested after two years of service, except for employees hired as part of the Company's February 8, 2006 acquisition of all of the outstanding capital stock of Chelated Minerals Corporation ("CMC"), a privately held Utah corporation, whose prior credited service is used in determining the vested portion of such matching contributions.

Investment Options

Upon enrollment in the Plan, participants may direct employee contributions to the various investment options administered by Prudential Retirement Insurance and Annuity Company ("PRIAC") and a maximum of 10% of a participant's contribution to Balchem Corporation Common Stock Fund. Employer matching contributions are made in Company stock and are directed to the Balchem Corporation Common Stock Fund (see Schedule 1). Discretionary contributions are made from the Company's cash reserves.

Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balances. Loan terms extend up to five years or in excess of five years for the purchase of a primary residence. The loans are secured by the balance in the participants' accounts and bear interest at a fixed rate based on the prime rate plus 2% at the time of loan origination and range from 6% to 10.25% at December 31, 2006.

Payment of Benefits

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On termination of service, a participant may receive a lump sum amount equal to the vested value of his or her account, or upon death, disability or retirement, the participant may elect to receive annual installments over a period not to exceed the participant's lifetime, or the joint lifetime of the participant and the participant's spouse, or an annuity contract.

Effective March 28, 2005, the threshold for involuntary distribution of vested accrued benefits was reduced from \$5,000 to \$1,000.

Income (Loss) Allocations

Investment income (loss) for an accounting period shall be allocated to participants' accounts in proportion to the total of their respective account balances at the beginning of such accounting period plus any contributions or loan repayments credited to the account during the period.

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2006 and 2005

Forfeited Accounts

Forfeited balances of terminated participants' non-vested accounts are allocated to all active participant accounts as of the last day of the plan year. Forfeited non-vested accounts totaled \$749 at December 31, 2006.

Note 2 - Summary of Accounting Policies

Basis of Accounting

The financial statements of the Plan are presented on the accrual basis of accounting.

Risks and Uncertainties

The assets of the Plan at December 31, 2006 and 2005 are primarily financial instruments which are monetary in nature. Accordingly, interest rates and market fluctuations have a more significant impact on the Plan's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services as measured by the consumer price index.

The investments are subject to risk conditions of the individual investments' objectives, the stock market, interest rates, economic conditions, world affairs and, in the case of the Balchem Corporation Common Stock Fund, the results of operations and other risks specific to Balchem Corporation.

Investment Valuation and Income Recognition

Except for the guaranteed income fund, the Plan's investments held in the Plan's funds are stated at fair value determined from publicly quoted market prices. Participant loans are valued at cost, which approximates fair value.

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As of December 31, 2006, the Plan adopted Financial Accounting Standards Board (FASB) Staff Position FSP AAG INV-1 and Statement of Position No. 94-4-1, Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans (the FSP). The FSP requires the Statement of Net Assets Available for Benefits to present the fair value of the Plan's investments as well as the adjustment from fair value to contract value for the fully benefit-responsive investment contracts, and the Statement of Changes in Net Assets Available for Benefits to be prepared on a contract value basis for the fully benefit-responsive investment contracts. The FSP was retrospectively applied to the prior period presented on the Statement of Net Assets Available for Benefits as of December 31, 2005.

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2006 and 2005

The guaranteed income fund is recorded at contract value, which approximates fair value. Contract value represents contributions and reinvested income, less any withdrawals plus accrued interest, because these investments have fully benefit-responsive features. For example, participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. There are no reserves against contract values for credit risk of contract issues or otherwise. The average yield was approximately 3.29% and 3.35% for 2006 and 2005, respectively. The crediting interest rate for these guaranteed funds is reset semiannually by the issuer but cannot be less than zero and was 4.15% and 3.75% at December 31, 2006 and 2005, respectively.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex dividend date.

Payment of Benefits

Benefits are recorded when paid.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that could affect the reported amounts of net assets at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Note 3 - Investments

Investments at December 31, 2006 and 2005 consisted of:

| | 2006 | 2005 |
|--|--------------|--------------|
| Cash equivalents, Guaranteed Income Fund | \$ 3,022,786 | \$ 2,509,546 |

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| | | |
|-----------------------------------|--------------|--------------|
| Pooled separate accounts | 8,366,796 | 6,500,407 |
| Balchem Corporation Common Stock* | 4,474,384 | 3,446,850 |
| Participant loans | 379,619 | 326,284 |
| | ----- | ----- |
| | \$16,243,585 | \$12,783,087 |
| | ===== | ===== |

* A portion of the Balchem Corporation Common Stock is non-participant directed.

The following represents investments that represent 5% or more of the Plan's net assets:

| | 2006 | 2005 |
|--|-------------|-------------|
| | ----- | ----- |
| Balchem Corporation Common Stock* | \$4,474,384 | \$3,446,850 |
| Cash equivalents, Guaranteed Income Fund | 3,022,786 | 2,509,546 |
| Dryden S&P Index Fund | 2,321,280 | 2,203,938 |

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2006 and 2005

| | | |
|-----------------------------|-----------|---------|
| Janus Adviser Balanced Fund | 1,037,598 | 942,314 |
| Prudential Lifetime 40 | 1,069,121 | 867,206 |

* A portion of the Balchem Corporation Common Stock is non-participant directed.

During the year ended December 31, 2006, the Plan investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

| | |
|----------------------------------|-------------|
| Pooled separate accounts | \$1,013,863 |
| Balchem Corporation Common Stock | 1,002,901 |
| | ----- |
| | \$2,016,764 |
| | ===== |

Note 4 - Non-participant directed investments

Information about the net assets and the significant components of the changes in net assets relating to the non-participant directed investments are as follows:

| | 2006 | 2005 |
|----------------------------------|-------------|-------------|
| | ----- | ----- |
| Balchem Corporation Common Stock | \$3,870,400 | \$2,981,668 |
| | ===== | ===== |

| | Year ended December 31, 2006 |
|-------------------------------|---------------------------------|
| | ----- |
| Change in net assets: | |
| Contributions | \$ 362,318 |
| Dividends and interest | 10,390 |
| Net appreciation | 863,990 |
| Benefits paid to participants | (143,644) |

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| | |
|---|--------------|
| Transfers to participant-directed investments | (204,322) |
| | ----- |
| Net increase | 888,732 |
| Net assets at beginning of year | 2,981,668 |
| | ----- |
| Net assets at end of year | \$ 3,870,400 |
| | ===== |

Note 5 - Related-Party Transactions

As of December 31, 2006 and 2005, the Plan held 261,354 and 260,163 shares of Balchem Corporation common stock, respectively, with a market value of \$4,474,384 and \$3,446,850 at December 31, 2006 and 2005, respectively. The aforementioned share information has been adjusted to reflect the December 2006 and December 2005 three-for-two stock splits, which were effected by means of stock dividends, initiated by the Company. Certain Plan investments are shares of various funds managed by Prudential Retirement Insurance & Annuity Company

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BALCHEM CORPORATION
401(k)/PROFIT SHARING PLAN
Notes to Financial Statements
December 31, 2006 and 2005

("PRIAC"). PRIAC is the trustee of the Plan and, therefore, these transactions are considered related-party transactions.

Note 6 - Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

Note 7 - Income Tax Status

The Plan has received a favorable determination letter dated March 22, 1999 from the Internal Revenue Service ruling that it is a qualified plan pursuant to the appropriate section of the Internal Revenue Code (IRC) and, accordingly, the earnings of the underlying trust of the Plan are not subject to tax under present income tax law. Once qualified, the Plan is required to operate in conformity with the IRC to maintain its qualifications. Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

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401(k)/PROFIT SHARING PLAN
 Schedule H, Part IV, Line 4(i) - Schedule of Assets
 Held at End of Year
 December 31, 2006

| Identity of issue, borrower, lessor or similar party | Description of investments including maturity date, rate of interest, collateral, par or maturity value |
|---|--|
| Guaranteed Income Fund(1) | Units of participation in Guaranteed Income Fund - 91,216 units, \$33.13 per unit |
| Small Cap Growth / Times Square | Units of participation in Small Cap Growth / Times Square - 17,874 units, \$24.43 per unit |
| Oppenheimer Global Fund | Units of participation in Oppenheimer Global Fund - 7,106 units, \$81.29 per unit |
| Mid-Cap Value / Well Management | Units of participation in Mid-Cap Value / Well Management - 6,512 units, \$21.31 per unit |
| Mid-Cap Growth / Artisan | Units of participation in Mid-Cap Growth / Artisan - 34,667 units, \$11.98 per unit |
| Prudential Lifetime 60(1) | Units of participation in Prudential Lifetime 60 - 9,178 units, \$16.34 per unit |
| Prudential Lifetime 50(1) | Units of participation in Prudential Lifetime 50 - 14,560 units, \$16.74 per unit |
| Prudential Lifetime 40(1) | Units of participation in Prudential Lifetime 40 - 63,398 units, \$16.86 per unit |
| Prudential Lifetime 30(1) | Units of participation in Prudential Lifetime 30 - 19,909 units, \$17.25 per unit |
| Prudential Lifetime 20(1) | Units of participation in Prudential Lifetime (20) - 7,356 units, \$17.41 per unit |
| Large Cap Growth/Turner Investment(1) Fund | Units of participation in Large Cap Growth/Turner Investment - 22,994 units, \$13.15 per unit |
| Large Cap Value/AJO Fund(1) | Units of participation in Large Cap Value/AJO Fund - 26,886 units, \$16.06 per unit |
| Janus Adviser Balanced Fund(1) | Units of participation in Janus Adviser Balanced Fund - 29,452 units, \$35.23 per unit |
| Intern Equity / Julius Baer | Units of participation in Intern Equity / Julius Baer - 26,767 units, \$24.73 per unit |
| Goldman Sachs Small Cap Value | Units of participation in Goldman Sachs Small Cap Value - 1,966 units, \$54.96 per unit |
| Dryden S&P Index Fund(1) | Units of participation in Dryden S&P Index Fund - 27,808 units, \$83.47 per unit |
| Balchem Corporation Common Stock(1) (2) (3) | Units of participation in Balchem Common Stock - 261,354 units, \$17.11 per unit |
| Participant loans(1) | Interest rates range from 6.00% to 10.25% |

Total

(1) Parties-in-interest

(2) The cost basis of the Balchem Corporation Common Stock Fund at December 31, 2006 was \$1,681,621.

(3) All per share (unit) information has been adjusted to reflect the December 2006 three-for-two stock split (effected by means of a stock dividend) initiated by the Company.

See accompanying report of independent registered public accounting firm.

