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LION FARM SERVICES

Refrigeration and Generator Support
Scheme

Scheme
Summary
30th May 2011

The milk comes first

INTRODUCTION

Lion and Dairy Farmers Milk Co-operative (DFMC) Refrigeration and Generator Support Scheme Policy is part of the company's overall commitment to on-farm milk quality. The key objectives of the Support Scheme are to:

1. Improve on-farm milk cooling and storage capacity, and decrease on-farm cooling costs.
2. Assist with the maintenance of milk quality by refrigerating milk in times of disturbances to power supply.
3. To improve milk collection efficiency therefore reducing cartage collection costs.

To achieve these goals, Lion provides a 20% rebate on the purchase and installation price of new milk cooling equipment, and a 20% rebate on the purchase and installation of generators. (Refer to full policy document)

REFRIGERATION and GENERATOR SUPPORT SCHEME **FULL POLICY DOCUMENT**

Effective Date: 1st July 2011

Expiry Date: 30th June 2015

Summary

The Lion Refrigeration and Generator Support Scheme offers a 20% rebate on the purchase and installation price of refrigeration equipment and generators. The rebate is paid over 5 years for refrigeration equipment and 3 years for generators, and both Lion direct suppliers and Dairy Farmers Co-operative members must be accredited under Simply Perfect (the Lion Farm Quality Assurance Program) to obtain the rebate.

Introduction

The scheme has the following objectives:

- To improve milk quality through the better cooling of milk
- To help remove storage capacity restrictions on supplier's production
- To assist with the maintenance of milk quality by refrigerating milk in times of disturbances to power supply.
- To improve milk collection efficiency (and therefore reduce cartage costs)

Policy

A rebate of 20% of the cost of refrigeration installations will be paid to suppliers over 5 years. Maximum total cost will be \$150,000 for refrigeration equipment and installation costs.

A rebate of 20% of the cost of generator installations will be paid to suppliers over 3 years. Maximum total cost will be \$20,000 for generators and installation costs

Other provisions

- Payments will be made on a monthly basis and subject to the provisions outlined in this document.
- The rebate will only be available to Lion and DFMC suppliers accredited under *Simply Perfect* (the Lion Farm Quality Assurance Program). Rebate payments will cease while suppliers are suspended from accreditation for any reason.

- Rebates will only be paid while milk is supplied from the dairy. If the property is sold, the rebates will be discontinued. If the supplier ceases supplying either Lion or Dairy Farmers Milk Co-operative and commences supplying another dairy company, Lion reserves the right to recoup the rebate payments from the supplier's final milk cheque. Changes in ownership due to family transfers or arrangements will be permitted.
- The refrigeration equipment must EITHER substantially increase the cooling performance of the farm or its capacity.

Capacity requirements will reflect normal industry requirements and practices.

In areas where Year Round Milk supply is normal practice, rebated installations must provide a capacity of a minimum of 3 times the peak daily intake over the last twelve months. Increases to 4 times peak intake are preferred.

In areas where Seasonal Milk supply is normal practice, rebated installations may be less than the minimum of 3 times the peak daily intake subject to approval of the relevant Farm Services Manager. However, the installation must provide a capacity of a minimum of 2 times the peak daily intake over the previous twelve months.

Any installation of 15,000 litres capacity or greater will be eligible for the rebate, regardless of peak production requirements.

Eligible Equipment/Services

Both equipment and work connected directly with the installation of the equipment would be included in the Rebate amount.

The minimum value of any one refrigeration project would be \$15,000 with a maximum value of \$150,000 per farm. (That is, there may be more than one project eligible on the farm, but the maximum capital amount to be considered for a rebate will be \$150,000).

The following would be eligible for rebate:

- Milk tanks less than 10 years from date of manufacture. These tanks must conform to Lion Vat Guidelines.
- Refrigeration Units including direct expansion, Icebanks and Glycol chillers provided they allow the system to perform to the Lion Vat Guidelines.
- Plate coolers and milk pumps. (See attached sheet for further information).

- Electrical, plumbing, refrigeration supplies (eg. refrigerant gas) and milking machine alteration costs directly associated with the installation of the above equipment.
- Generators with a minimum capacity of 25 KVA.

At all times, Lion must be satisfied that the proposed costs and charges are genuine. It is expected that two quotations/valuations will be provided in support of any claim for rebate.

Lion reserves the right to reduce the amount of rebate payable where it believes that the costs of goods and services as claimed are greater than the true value. The rebate amount will be calculated on expenditure excluding any GST component. Any evidence of fraud will result in immediate exclusion from the Scheme, plus any other action Lion deems appropriate.

For more information, please contact Alistair Shephard or myself.



Paul Rees
Farm Services Manager South
30th May 2011