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FARM FUEL POLICY

INTRODUCTION

This Policy sets out the practices and procedures for adoption by the Dairy Holdings Ltd (DHL) Group to apply across Managed Farms

BACKGROUND

As a large scale Dairy Farming Company with operations throughout Canterbury, North Otago, West Coast and Southland, DHL needs to ensure a consistent Farm Fuel Policy (FFP) is adopted across all the managed farms.

The FFP will ensure that all farms utilise cost effective procedures for vehicle fuel use plus ensures that a prevention programme by way of monitoring fuel use is in place to eliminate theft of fuel.

EXPLANATION

1. Why have a FFP?

- a) The cost of fuel is a large expense borne by the Company.
- b) The need to have minimum numbers of suppliers ensures that the continuing farm needs for purchase, supply, storage, and usage are timely and efficient plus the office needs to administer and manage the accounting function and the refunds of Road User Charge (RUC) and the rebate of Petrol Excise Tax (PET) can be completed in a timely and efficient manner.
- c) The Diesel Road User Charge is about 3 cents / km and is able to be refunded for off-road use of a diesel powered vehicle.
- d) PET is 53 cents per litre and can be claimed on every litre that is used in farming depending on a number of exceptions.

Diesel vehicles travelling on public roads pay RUC. Many of our farm vehicles spend many miles travelling on farm and therefore are able to apply for refunds of RUC paid.

All petrol purchased has a PET imposed at purchase and this is over 20% of the cost petrol eg. Farm bike using 45 litres (10 gallons) per week for 50 weeks of the year will be able to claim refund of \$733.61.

How does this Operate?

Petrol

Before any petrol excise refunds can be made the following conditions apply

- If a petrol vehicle pays full registration – no claim for fuel rebate allowed. (E Class – can claim)
- E Class B – are farm vehicles, but distances on road are limited to a round trip 21 kms.
- Excise refund to be claimed every three months.
 - Petrol held on farm at start of the period
 - plus petrol purchased
 - less petrol held at period end;equals petrol able to be claimed if 100% of the petrol use is used by E Class registered or Unregistered vehicles
- Due to requirements of LTNZ each refund of Excise Tax requires a list of:
 - a) E Class B Licenced vehicles – including their make, model and licence plate and
 - b) Unlicenced vehicles (bikes etc) – including their make, model, engine number, and year of manufacture.

How will this be Managed?

All petrol is for on farm use and to be used in unregistered motorbikes (and chainsaws) or in E Class registered petrol vehicles.

The office staff will need to have an updated list of vehicles and equipment that use the petrol (this list is for insurance purposes as well) plus every three months the office will need to be informed of how much petrol is on hand at the end of each period.

DHL Office Staff will then apply for Petrol Excise Refunds every three months based on the petrol purchased (records held at office) and the above information from Farm Managers.

Company Policy will require all farm petrol vehicles & Motorbikes to be E Class registered or Unregistered.

Diesel

Before any claiming of Road User Charges (RUC) refunds the following conditions apply. RUC Licence must not be more than two years old and the label distance must have been completed for the vehicle that the refund is being applied for. (RUC of Form to be filled in that includes Licence label details and logbook with details for distances covered off road.)

How will this be Managed?

To meet the RUC Refund Conditions.

- Company Policy will require diesel farm trucks to keep a logbook that accounts for all travel to reconcile to each 10,000 kilometres (or label distance) used.
- If this is too onerous - the vehicle's registration can be changed to E Class B (therefore not subject to RUC, but is subject to E Class round trip (21 kilometre) rules)

Company Policy will require all farm diesel vehicles to keep a logbook that is completed correctly (so that RUC refunds can be made) or to be E Class registered or Unregistered.

When further Road User Charges (RUC) are needed the manager will contact the office to purchase the new RUC licence and will return the old licence label plus the logbook to the office so the refund can be made by office staff.

Please note the logbook is essential for correct refund application and once an indicative figure for off road use is established; the RUC authorities may reduce the logbook requirement to a three month period every three years (this is at the discretion of those authorities).

Fuel Purchase Policy

DHL's Farm Fuel Purchase Policy is to purchase fuel from our exclusive suppliers and these hold an exclusive right to supply DHL managed farms with their fuel needs.

Exclusive Supplier to DHL's Farms:

- **Allied Petroleum Ltd**
 - ✓ Canterbury, Otago & Southland Farms
- **Nelson Petroleum Distributors Ltd**
 - ✓ West Coast (Dairy) Ltd Farms.

Fuel is to be ordered through the appropriate person – those being,

1. Waitaki, Southland & West Coast farms - Contact your supervisor, or,
2. Canterbury Farms contact Allied Fuels (0800 383-566) quoting farm name & your name.

Farm Storage & Usage Policy

- DHL's Farm Storage & Usage Policy is that all fuel purchased is stored and managed in accordance with industry standards.

SUMMARY

1. All farm trucks will be either:

Diesel

- Pay full registration & pay RUC and keep a logbook, or
- E Class registered and be exempt from RUC, or Unregistered.

Petrol

- E Class registered or
 - Unregistered
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- Note: All farm trucks that travel on public roads need to be registered (full registration or E Class registered) and must have a current warrant of fitness.
2. All farm fuel is for company vehicle use only.
 3. Farm Managers must ensure vehicle registration matches the farm needs (and the legal obligations).
 4. Use of the vehicle outside of the licence conditions will be the responsibility of the manager.
 5. Farm Petrol Excise Refunds will be completed by the office every three months (March, June, September & December)
 6. RUC Licence refunds are due when applying for a new RUC licence.
 7. Farm Managers are to ensure when equipment changes from/to their farms, the office is notified to record the event for Fuel Excise Refund and insurance needs.
 8. The Office will keep a list of equipment held on farms and the status of their registrations based on the information provided by Farm Managers & Supervisors.
 9. Implementation of this Policy will ensure vehicle-operating costs (fuel and on road charges) are managed so that the statutory refunds are correctly applied for by office staff.