

Supporting Document 1

Cost benefit scenarios for P282 – Primary Production & Processing Standard for Poultry Meat

The following tables provide detailed costs and benefits relating to Option 2 – Consumer Education and Option 4 – Through-Chain Food Safety Management, under different illness reduction scenarios.

Net benefits are discounted at 7% over a ten-year period in order to provide a Net Present Value figure.

Option 2: Education and voluntary handling label 3% reduction in the incidence of illness

Year (at the end of financial year)	0	1	2	3	4	5	6	7	8	9	10
Benefits											
Health care (Resource cost averted)		393,120	393,120	393,120	393,120	393,120	393,120	393,120	393,120	393,120	393,120
Welfare loss averted (willingness to pay)		478,606	478,606	478,606	478,606	478,606	478,606	478,606	478,606	478,606	478,606
Productivity cost avoided (estimate)		1,192,235	1,192,235	1,192,235	1,192,235	1,192,235	1,192,235	1,192,235	1,192,235	1,192,235	1,192,235
Total benefits (Cost savings)		2,063,961	2,063,961	2,063,961	2,063,961	2,063,961	2,063,961	2,063,961	2,063,961	2,063,961	2,063,961
Costs											
Initial upfront cost	485,600										
Ongoing costs		2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000
Total costs	485,600	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000
Net benefit	-485,600	-326,039	-326,039	-326,039	-326,039	-326,039	-326,039	-326,039	-326,039	-326,039	-326,039
Discount factor at 7% p.a.	1.00000	0.93458	0.87344	0.81630	0.76290	0.71299	0.66634	0.62275	0.58201	0.54393	0.50835
Net benefit discounted	485,600	304,709	284,775	266,145	248,734	232,461	217,254	203,041	189,758	177,344	165,742
Net Present Value (NPV at 7% discount rate)	2,775,562										

Option2 : Education and voluntary handling label 5% reduction in the incidence of illness

Year (at the end of financial year)	0	1	2	3	4	5	6	7	8	9	10
Benefits											
Health care (Resource cost averted)		655,200	655,200	655,200	655,200	655,200	655,200	655,200	655,200	655,200	655,200
Welfare loss averted (willingness to pay)		797,677	797,677	797,677	797,677	797,677	797,677	797,677	797,677	797,677	797,677
Productivity cost avoided (estimate)		1,987,058	1,987,058	1,987,058	1,987,058	1,987,058	1,987,058	1,987,058	1,987,058	1,987,058	1,987,058
Total benefits (Cost savings)		3,439,935	3,439,935	3,439,935	3,439,935	3,439,935	3,439,935	3,439,935	3,439,935	3,439,935	3,439,935
Costs											
Initial upfront cost	485,600										
Ongoing costs		2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000
Total costs	485,600	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000
Net benefit	-485,600	1,049,935	1,049,935	1,049,935	1,049,935	1,049,935	1,049,935	1,049,935	1,049,935	1,049,935	1,049,935
Discount factor at 7% p.a.	1.00000	0.93458	0.87344	0.81630	0.76290	0.71299	0.66634	0.62275	0.58201	0.54393	0.50835
Net benefit discounted	485,600	981,248	917,054	857,060	800,990	748,589	699,616	653,847	611,072	571,095	533,734
Net Present Value (NPV at 7% discount rate)		6,888,704									

Option2 : Education and voluntary handling label 6% reduction in the incidence of illness

Year (at the end of financial year)	0	1	2	3	4	5	6	7	8	9	10
Benefits											
Health care (Resource cost averted)		471,744	471,744	471,744	471,744	471,744	471,744	471,744	471,744	471,744	471,744
Welfare loss averted (willingness to pay)		571,940	571,940	571,940	571,940	571,940	571,940	571,940	571,940	571,940	571,940
Productivity cost avoided (estimate)		1,424,110	1,424,110	1,424,110	1,424,110	1,424,110	1,424,110	1,424,110	1,424,110	1,424,110	1,424,110
Total benefits (Cost savings)		2,467,794	2,467,794	2,467,794	2,467,794	2,467,794	2,467,794	2,467,794	2,467,794	2,467,794	2,467,794
Costs											
Initial upfront cost	485,600										
Ongoing costs		2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000
Total costs	485,600	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000	2,390,000
Net benefit	-485,600	77,794	77,794	77,794	77,794	77,794	77,794	77,794	77,794	77,794	77,794
Discount factor at 7% p.a.	1.00000	0.93458	0.87344	0.81630	0.76290	0.71299	0.66634	0.62275	0.58201	0.54393	0.50835
Net benefit discounted	485,600	72,705	67,948	63,503	59,349	55,466	51,837	48,446	45,277	42,315	39,547
Net Present Value (NPV at 7% discount rate)		60,793									

Option4 : Through chain safety management	14.3% reduction in the incidence of illness										
Year (at the end of financial year)	0	1	2	3	4	5	6	7	8	9	10
Benefits											
Health care (Resource cost averted)	1,119,034	1,119,034	1,119,034	1,119,034	1,119,034	1,119,034	1,119,034	1,119,034	1,119,034	1,119,034	1,119,034
Welfare loss averted (willingness to pay)	1,362,644	1,362,644	1,362,644	1,362,644	1,362,644	1,362,644	1,362,644	1,362,644	1,362,644	1,362,644	1,362,644
Deaths averted (Value of statistical life)	479,680	479,680	479,680	479,680	479,680	479,680	479,680	479,680	479,680	479,680	479,680
Productivity cost avoided (estimate)	3,388,229	3,388,229	3,388,229	3,388,229	3,388,229	3,388,229	3,388,229	3,388,229	3,388,229	3,388,229	3,388,229
Total benefits (Cost savings)	6,349,587	6,349,587	6,349,587	6,349,587	6,349,587	6,349,587	6,349,587	6,349,587	6,349,587	6,349,587	6,349,587

Year (at the end of financial year)	0	1	2	3	4	5	6	7	8	9	10
Costs											
Initial upfront cost	6,500,000										
Ongoing costs		4,723,000	4,723,000	4,723,000	4,723,000	4,723,000	4,723,000	4,723,000	4,723,000	4,723,000	4,723,000
Total costs	6,500,000	4,723,000	4,723,000	4,723,000	4,723,000	4,723,000	4,723,000	4,723,000	4,723,000	4,723,000	4,723,000
Net benefit	-6,500,000	1,626,587	1,626,587	1,626,587	1,626,587	1,626,587	1,626,587	1,626,587	1,626,587	1,626,587	1,626,587
Discount factor at 7% p.a.	1.00000	0.93458	0.87344	0.81630	0.76290	0.71299	0.66634	0.62275	0.58201	0.54393	0.50835
Net benefit discounted	- 6,500,000	1,520,174	1,420,724	1,327,779	1,240,915	1,159,734	1,083,863	1,012,956	946,688	884,755	826,874
Net Present Value (NPV at 7% discount rate)	4,924,463	over 10 years									
	169,326	over 5 years									
Total Costs discounted	6,500,000	4,414,019	4,125,251	3,855,375	3,603,154	3,367,434	3,147,134	2,941,247	2,748,829	2,568,999	2,400,934
Present Value of Total Costs (at 7% discount rate)	39,672,376										