

Agenda

- Background information, why?
- Case Issues 3:23
- Alternative 1 5:41
- Alternative 2 7:11
- Alternative 3 8:41
- Recommendation 10:11
- Implementation 11:41
- Questions and Answers 13:11




Additional Issues


- Trailer Capacity (currently 25 goats)
- Truck Size



Item	Quantity	Unit Price	Total Price
Trailer	1	\$1750	\$1750
Truck	1	\$2000	\$2000
Goats	25	\$100	\$2500
Shepherd	1	\$1000	\$1000
Equipment	1	\$500	\$500
Land	1	\$1000	\$1000
Total			\$7750

Alternative 3

- Buy a bigger truck and trailer
- Keep current truck and trailer
- Allow for multiple goats at one time
- Hire additional Shepherd




Implementation

- Immediately purchase new set of equipment
- Hire a shepherd with the same rate
- Provide the new capacity and a fixed price
- Explore more expansion opportunities



Case Background

- Loden and Coy & Dairy Farm
- Goats used to clear land
- Needed for nearby forest
- Advantages:
 - Access hard to reach areas
 - Cost effective
 - Environmentally beneficial
 - Will eat weeds




Case Issues & Assumptions

- Breeds:
 - \$5 per goat per day
- Costs:
 - Fuel: Shepherd and dog - 1.90 per day, Setup - 1000
 - Feeding - negotiable
 - Fuel: negotiable
- Assumptions:
 - Unlimited goats
 - Unlimited Shepherd
 - Can hire additional Shepherd


Alternative 1

- Manufacture equipment
- Same truck & trailer



Alternative 2

- Buy bigger truck and trailer
- Trade in current truck and trailer
- Buy goats in 500



Recommendation

- Alternative 3: Buy bigger truck & trailer, maintain current truck and trailer
- Hire additional shepherd
- New cost structure



Questions & Answers



Goats- the green alternative Harvard Case Solution & Analysis

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- Assumptions
- Unlimited goats
- Unlimited demand
- Can hire additional Shepard

FIXED AND VARIABLE COSTS FOR RESORT JOB (in U.S. dollars)	
DEPRECIATION	
Trucks and trailer, quarters and maintenance costs per year	\$0.53
Job depreciation cost/yr	
Price of job to resort job plus 17.5% per day	\$ 80
Overhead and exp. costs per day	\$ 90.00
Direct cost of resort job	\$ 90.00
Fixed cost per resort job	\$ 170
Fixed cost per acre per day	\$ 0.53

Current Job	1	2	3	4	5	Total
Cash Inflow	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00	\$ 400,000.00
Cash Outflow	\$ 90,000.00	\$ 90,000.00	\$ 90,000.00	\$ 90,000.00	\$ 90,000.00	\$ 450,000.00
Profit	\$ -10,000.00	\$ -10,000.00	\$ -10,000.00	\$ -10,000.00	\$ -10,000.00	\$ -50,000.00

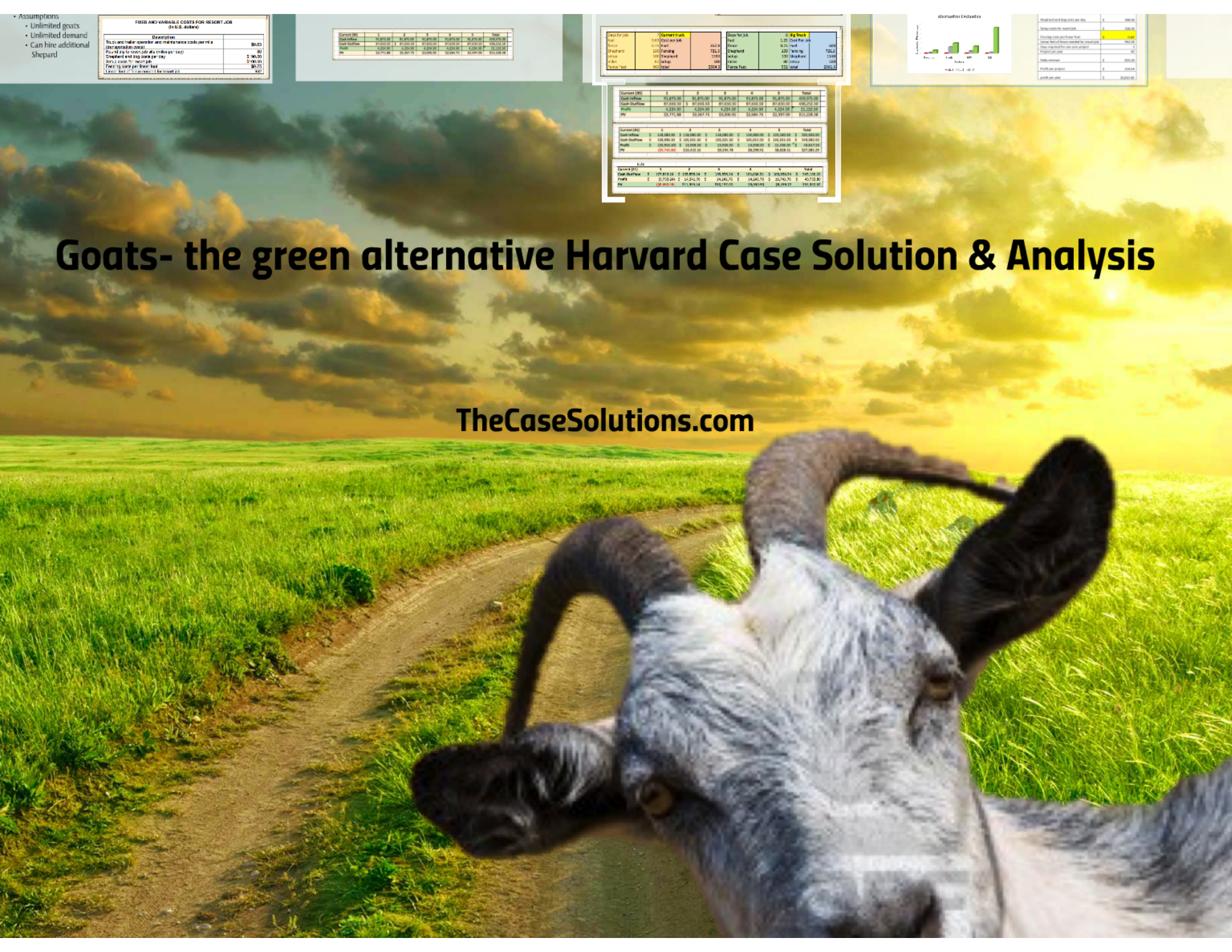
Days For job	2	3	4	5	6	7	8
Cost per job	180	270	360	450	540	630	720
Revenue	160	240	320	400	480	560	640
Profit	-20	-30	-40	-50	-60	-70	-80



Current Job	1	2	3	4	5	Total
Cash Inflow	\$ 1,875,000	\$ 1,875,000	\$ 1,875,000	\$ 1,875,000	\$ 1,875,000	\$ 9,375,000
Cash Outflow	\$ 1,925,000	\$ 1,925,000	\$ 1,925,000	\$ 1,925,000	\$ 1,925,000	\$ 9,575,000
Profit	\$ -50,000	\$ -50,000	\$ -50,000	\$ -50,000	\$ -50,000	\$ -250,000

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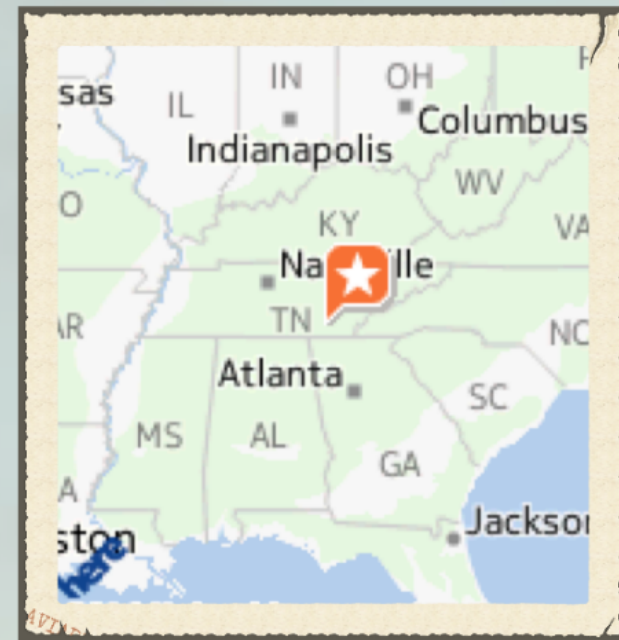
Agenda

- Background Information..Kelly
- Case Issues.....Sarah
- Alternative 1.....David
- Alternative 2.....Will
- Alternative 3.....Michael
- Recommendation
& Justification.....Michael
- Questions and Answers....Team



Case Background

- Jaden McCoy & dairy farm
- Goats used to clear land
 - Rented to nearby resort
- Advantages
 - Access hard-to-reach areas
 - Cost effective
 - Environmentally beneficial
 - Will eat kudzu





You **Tube**

Case Issues & Assumptions

- Revenues
 - \$15 per goat per day
- Costs
 - Fixed: Shepherd and dog - \$190 per day, Setup - \$100; Fencing - negotiable
 - Variable: transportation
- Assumptions
 - Unlimited goats
 - Unlimited demand
 - Can hire additional Shepard

Description	
Truck and trailer operation and maintenance costs per mile (transportation costs)	\$0.63
Round trip to resort job site (miles per day)	80
Shepherd and dog costs per day	\$190.00
Setup costs for resort job	\$100.00
Fencing costs per linear foot	\$0.75
Linear feet of fence needed for resort job	962

Additional Issues

- Trailer Capacity (currently: 25 goats)
- Truck Size



Alternative 1

- Maintain current operations
 - Same truck & trailer

Days for job	7	Current truck	
fuel	0.63	Cost per job	
fence	0.7	Fuel	352.8
Shephard	190	Fencing	673.4
setup	100	Shephard	1330
miles	80	setup	100
Fence Feet	962	total	2456.2

Current (35)	1	2	3	4	5	Total
Cash Inflow	91,875.00	91,875.00	91,875.00	91,875.00	91,875.00	459,375.00
Cash Outflow	87,650.50	\$ 87,650.50	87,650.50	87,650.50	87,650.50	438,252.50
Profit	4,224.50	4,224.50	4,224.50	4,224.50	4,224.50	21,122.50
PV	\$3,771.88	\$3,367.75	\$3,006.92	\$2,684.75	\$2,397.09	\$15,228.38