Mixed production problem

A firm is planning the production of 3 products A1, A2, A3 .

In a month production can be active for 22 days.

The following are given:

- maximum demands (units=100Kg)
- selling price ($/100Kg)
- production costs (per 100Kg of product)
- production quotas (maximum amount of 100Kg units of product that would be produced in a day if all production lines were dedicated to the product).

Mixed production problem

Product	A1	A2	A3
Maximum demand	5300	4500	5400
Selling price	$124	$109	$115
Production cost	$73.30	$52.90	$65.40
Production quota	500	450	550

Formulate an AMPL model to determine the production plan to maximize the total income

Mathematical model

What is to be identified to write the mathematical formulation?

- Decision variables
- Objective function
- Constraints
- Parameters

- What are the decision variables?

  $x_i \quad i \in \{1,2,3\}$: quantity of product i to produce

  any bound?

  $\forall i \in \{1,2,3\} \quad x_i \geq 0$

Mathematical model

- What is the objective function?

determine the production plan to **maximize** *the* **total income**

$$\max \sum_{i=1}^{3} (v_i - c_i) x_i$$

each x_i *has a* **selling price** *and a* **production cost**

Mathematical model

- What are the constraints?

demand: $\forall i \in \{1,2,3\} \quad x_i \leq d_i$

production: $\sum_{i=1}^{3} \frac{x_i}{q_i} \leq P$

P = number of production days in a month

Mathematical model

- What are the parameters?

P = number of production days in a month

d_i = maximum market demand for product i

v_i = selling price for product i

c_i = production cost for product i

q_i =maximum production quota for product i

Modelling and solving the problem using AMPL

Remember that it is necessary to write:

1. a **model** file (extension `.mod`)

   contains the mathematical formulation of the problem

   - logical structure of the problem -

2. a **data** file (extension `.dat`)

   contains the numerical values of the problem parameters

   - more data files may correspond to the same model -

3. (possibly) a **run** file (extension `.run`)

   specifies the solution algorithm

AMPL model/data

Model file

Logical structure:

1. Parameters ____________ `param name_parameter;`

2. Variables ______________ `var name_variable;`

3. Objective function _ `maximize(minimize) name_objective:…`

4. Constraint(s)______ `subject to name_constraint: …`

Data file

```
param name_parameter1 := …;
param name_parameter2 := …;
……
```

AMPL model – mixed production

Starting from the mathematical formulation, try to code the AMPL model

- You already know the parameters:

```
days
demand
price
cost
quota
```

All of them are non negative: `>= 0`

`demand,price,cost,quota` are indexed on a set containing the products:

```
set PRODUCTS;

param days >= 0;
param demand { PRODUCTS } >= 0;
param price { PRODUCTS } >= 0;
param cost { PRODUCTS } >= 0;
param quota { PRODUCTS } >= 0;
```

AMPL model – mixed production

- Decision variables: `x`

All of them are non negative: `>= 0`

Are indexed on a set containing the products (previously declared).

- Objective function:

In order to code in ampl the objective function of the mathematical formulation, you just need to know how to write a sum in ampl:

`sum {i in PRODUCTS} …`

- Constraints:

1. Each x_i must be less than or equal to its demand: `subject to requirement {i in PRODUCTS}` ……
2. The sum of x_i/q_i must be less than or equal to the number of the days of production: `subject to production: sum {i in PRODUCTS}` ……

Exercise

One step more:

- Change the mathematical program and the AMPL model to cater for a fixed activation cost on the production line, as follows:

Product	A1	A2	A3
Activation cost	\$170000	\$150000	\$100000

- Change the mathematical program and the AMPL model to cater for both the fixed activation cost and for a minimum production batch:

Product	A1	A2	A3
Minimum batch	20	20	16

Mathematical model updated

The basic model is unchanged. But something has to be added.

Parameters. We have 2 parameters more:

a_i = activation cost for the plant producing i

b_i = minimum batch of product i

Variables. For each product i, the production line can be activated or not

y_i = activation status of the product i

Binary variable:

$$\forall i \in \{1,2,3\} \quad y_i = \begin{cases} 1 & \text{if product } i \text{ is active} \\ 0 & \text{otherwise} \end{cases}$$

Mathematical model updated

Objective function. Takes into account the possible activation for each product:

$$\max \sum_{i=1}^{3} \left((v_i - c_i) x_i - a_i y_i \right)$$

Constraints. Two constraints more:

original constraints +

activation: $\forall i \in \{1,2,3\} \quad x_i \leq P q_i y_i$

minimum batch: $\forall i \in \{1,2,3\} \quad x_i \geq b_i y_i$