

by shifting from existing packinghouse to a model-type packinghouse. No attempt has been made to estimate this value.

COMPARISON OF SYNTHESIZED LONG-RUN COSTS AND ACCOUNTING DATA

As a matter of interest, the average season cost of the 43 firms from which the 1953-54 accounting data were obtained have been plotted in Figure 7 along with the synthesized long-run cost curves. The dots on the chart represent the costs from accounting records and volume for individual packinghouses operating with varying amounts excess capacity. The average costs include the picking, hauling, packing and selling expenses that were included in the synthesized costs.⁶ The packinghouses mostly used what has been described in this study as the conventional method. One might then expect, theoretically at least, that all the average cost observations would fall above the conventional synthesized long-run cost curve because this "envelope" curve attempts to define the lowest costs for various volumes.⁷

There are several logical explanations for the fact that some of the average season costs fall below the synthesized long-run cost curve. The first of these lies in the allocation of fixed costs. The fixed cost of equipment and packinghouse for the synthesized costs was based upon the 1954 price level. The fixed costs of the accounting observation were based mostly upon price levels lower than that existing in 1954. Also, in some cases, the investments in equipment have, in an accounting sense, been depreciated completely. A second factor that influences the relative level of the synthesized and accounting costs is the level of wage rates paid by the individual firms. Many firms paid wage rates lower than those used in the development of the synthesized costs. In addition, the assumptions regarding overtime wage rates and assurance of minimum employment affected the level of the long-run cost curve. As stated earlier, not all packinghouses follow this procedure. Another factor that in-

⁶ Detailed discussion of these season costs have been reported by Eric Thor and A. H. Spurlock, *Cost of Packing and Selling Florida Fresh Citrus Fruits*, Department of Agricultural Economics, University of Florida, Mimeo Report 55-4 (Gainesville: January, 1955); and A. H. Spurlock, *Cost of Picking and Hauling Florida Citrus Fruits*, Department of Agricultural Economics, University of Florida, Mimeo Report 55-5 (Gainesville: January, 1955).

⁷ Detailed discussion of the relationship of accounting data to synthesized cost curves—see R. G. Bressler, *op. cit.*, pp. 526-528.