

where μ_{ft}^* and σ_* are defined by expressions [A.15] and [A.16].

Starting from the estimated stochastic cost frontier, FRONTIER Version 4.1 returns an estimate of cost *inefficiency* for each producer at each observation, i.e. a prediction of $CI_{ft} = \exp\{u_{ft}\}$. It measures the extent to which observed costs exceed the corresponding stochastic frontier values and it is then calculated as the inverse of CE_{ft} in equation [A.19], this last being predicted by applying the point estimator specified in equation [A.20].