

Supporting Statement - Part A

**AGRICULTURAL PRICES**

OMB No. 0535-0003

**TERMS OF CLEARANCE**

“In accordance with 5 CFR 1320, the information collection is approved for a period of 2 years. Upon re-submission, the agency must provide a plan for improving response rates for surveys with low levels of response. The agency should also address an analysis of non-response bias and evaluate how potential low response combined with non-response bias affects the usefulness of the surveys.” (06/20/2005)

The latest overall response rates for Agricultural Prices Surveys (OMB No. 0535-0003) are shown below. Since both prices received surveys and prices paid surveys have suffered a general decline in response rates, NASS has recently assigned a Headquarters survey statistician as a survey administrator. She will try to raise response rates as well as coordinate and standardize questionnaires, data collection, summarization, and estimation and otherwise aid State and Headquarters commodity statisticians. The Survey Administrator will also be working with our expanded Marketing and Information Services Office on publicity and promotional materials--some of which are included in this ICR for the first time.

<b>Agricultural Prices 2006 Response Rates</b>			
<b>Prices Received</b>	<b>Response Rate %</b>	<b>Prices Paid</b>	<b>Response Rate %</b>
Cotton, Monthly	74	Farm Machinery	65
Eggs and Chickens	100	Feed	80
Grain and Beans	77	Fertilizer and Ag Chem	69
Hay, Monthly, Handlers	var.	Fuels	85
Hay, Biennial Prod and Sales	var.	Seed	65
Milk (Milk Prod Survey)	84		
Peanuts	91		
Rice	95		

Improving response rates would help reduce potential non-response bias. Additional material has been added to Supporting Statement Part B to better explain current efforts in that area. Agency efforts to address non-response bias in a systematic way have begun with the most complex survey NASS conducts, the Agricultural Resource Management Survey (ARMS) (OMB No. 0535-0218), which has many data variables that can be compared against the Census of Agriculture (OMB No. 0535-0226). Preliminary results have been informative and investigation of non-response bias measures is continuing--a second report will be forthcoming in early 2008. NASS views non-response bias analysis

as an iterative process, each information collection analysis contributing to the next, with the ARMS surveys as the first step. Plans for the rest of NASS surveys with response rates below 80 percent will follow.

## **A. JUSTIFICATION**

This submission is a request for approval of this long-running information collection for 3 years. There are some program changes (see A.15) but no changes to the methodology or procedures previously approved.

### **1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.**

Estimates of prices received by farmers and prices paid by farmers for production goods and services are needed by the U.S. Department of Agriculture for the following purposes:

- computing Parity Prices in accordance with requirements of the Agricultural Adjustment Act of 1938 as amended;
- estimating value of production, inventory values, and cash receipts from farming;
- determining the level for farmer-owned reserves;
- providing guidelines for Risk Management Agency price selection options;
- determining Federal disaster prices to be paid; and
- determining the grazing fee on Federal lands.

General authority for these data collection activities is granted under U.S. Code Title 7, Section 2204 (**attachment A**). This statute specifies that "The Secretary of Agriculture shall procure and preserve all information concerning agriculture which he can obtain ... by the collection of statistics ... and shall distribute them among agriculturalists."

### **2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.**

Parity prices are used to establish and maintain Federal Market Orders. Calculation of parity prices under provisions of the Agricultural Adjustment Act (**attachment D**) mentioned above are as follows:

- (A) The "parity price" for any agricultural commodity, as of any date, shall be determined by multiplying the adjusted base price of such commodity as of such date by the parity index as of such date.
- (B) The "adjusted base price" of any agricultural commodity, as of any date, shall be
  - (i) the average of the prices received by farmers for such commodity. . . divided by
  - (ii) the ratio of the general level of prices received by farmers for

agricultural commodities during each period to the general level of prices received by farmers for agricultural commodities . . .

- (C) The "parity index," as of any date, shall be the ratio of
  - (i) the general level of prices for articles and services that farmers buy, wages paid hired farm labor, interest on farm indebtedness secured by farm real estate, and taxes on farm real estate, for the calendar month ending last before such date to
  - (ii) the general level of such prices, wages, rates, and taxes during the period January 1910 to December 1914, inclusive.
- (D) The prices and indices provided for herein, and the data used in computing them, shall be determined by the Secretary, whose determination shall be final.

The National Agricultural Statistics Service computes annual U.S. weighted average prices received by farmers for wheat, barley, corn, oats, grain sorghum, rice, cotton, pulse crops, peanuts, and oilseeds based on monthly marketings. The adjusted base price uses 12-month calendar year average prices for major commodities in the monthly estimating program in accordance with the Act above. The amount of government payments is not included in published monthly or marketing year average prices. However, the effect of this additional income is an adjustment to the "10-year average" commodity price and prices received indexes used to compute adjusted base prices and parity prices.

Estimates for the remaining prices received items are used to compute indexes of prices received by farmers. These data are used by many Government agencies. The Economic Research Service and the Federal Reserve Bank use the prices received indexes as a general measure of commodity price changes. The prices are used extensively by the Risk Management Agency for disaster and insurance payments. State and regional level prices received for hay are used by the Forest Service in formulas to determine annual grazing fees for the use and occupancy of the National Forest System Lands in the United States. Some State governments use prices received data for land valuations and land taxation purposes.

Estimates of prices received are used by the National Agricultural Statistics Service to determine the value of agricultural production. These estimates, plus cost of production estimates, are used by the Economic Research Service and Department of Commerce in the computation of net farm income, which is one of the components of the National Income Accounts. NASS price data are essential input to these accounts.

Prices paid data are collected to compute the parity index, a component required in the calculation of parity prices. The prices paid index for selected production inputs is used to compute a regional index called the Public Rangeland Improvement Act (PRIA) Prices Paid Index. Data for this index are drawn from NASS's Agricultural Resource Management Survey (OMB No. 0535-0218), Farm Labor Survey (OMB No. 0535-0109), and these Prices Paid Surveys for farm machinery, feed, fertilizer and agricultural chemicals, fuels and seeds. This index is a component in the formula defined by the 1978 Public Rangeland Improvement Act and extended by an Executive Order signed February 14, 1986, to annually determine public land grazing rates by the Forest Service and Bureau of Land Management. Also, an input cost index is constructed for the Forest Service using data from the Prices Paid Survey for Feed in addition to the earlier mentioned surveys. Most recently, the Amendment No. 221, Fiscal Year 1992 Appropriation Bill for the Department of Interior and Related Agencies, directs the

Secretaries of Agriculture and Interior to update the 1986 Grazing Fee Review and Evaluation Report to Congress. This update requires indexes and prices from the stated surveys. The Agricultural Marketing Service uses various State milk marketing orders, prices paid indexes, and import prices for determining State or local support milk prices.

Average prices (not indexes) for selected farm machinery, feed, retail seeds, fertilizer, agricultural chemicals, and petroleum products surveyed are used directly by the Economic Research Service for generating annual cost of production budgets required by the Food, Agriculture, Conservation, and Trade Act of 1990. This price data series is essential for reliable and consistent estimates of fixed and variable costs for wheat, feed grains, cotton, tobacco, sugar, and dairy commodities.

Prices received and paid estimates are also used extensively by universities, market research firms, and virtually every other sector of the U.S. economy for economic analysis relating to farm income and alternative marketing policies. These estimates provide the long time series necessary for such studies.

**3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.**

Nearly all of NASS information collections have been converted to Web-based data collection, what NASS calls electronic data reporting or EDR. The remaining instruments that will not be converted are too infrequent or impractical to use that mode of data collection. NASS developed a computer software Questionnaire Repository System (QRS) to enable simultaneous creation of matching paper and Web survey instruments from the same parameters. The major prices received surveys as well as prices paid surveys in this collection are available on the Web; smaller surveys are conducted via mail at the Field Office's discretion to ensure proper coverage of localized areas and conditions.

The main portal for our on-line surveys is <http://www.agcounts.usda.gov>. Respondents are mailed an instruction sheet to reach this site along with the survey questionnaire. Once there, the respondents have to enter the valid survey code and their own user ID printed on the label of the questionnaire mailed to them. We do not want anyone other than a selected respondent to access the survey web pages.

The retail seed survey was recently converted to computer-assisted telephone interviewing (CATI), which is used by NASS for telephone data collection whenever possible in order to reduce reporting errors. A CATI instrument will be used for the remaining four prices paid surveys in April 2008.

**4. Describe efforts to identify duplication.**

NASS cooperates with State Departments of Agriculture and land grant universities to conduct agricultural surveys. These surveys meet both State and Federal needs, thus eliminating duplication and minimizing reporting burden on the agriculture industry.

There is no duplication of questions asked of producers in this docket. In addition, respondent lists are carefully compared to ensure there is no overlap. NASS samples are coordinated to ensure that respondent burden is minimized.

**5. If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize burden.**

Information requested on the various price surveys can be provided from normal operating records. To relieve individual respondent burden, only a sample of firms is enumerated each month for Prices Received Surveys and annually for Prices Paid Surveys. Samples are rotated periodically. Many operations are specialized and therefore receive a questionnaire that only pertains to their type of operation. Questions for diverse operations are combined on one questionnaire to reduce the number of times the respondent is contacted and reduce the overall burden.

Prices received data for cattle, hogs, and sheep are collected from administrative data obtained from auction houses, slaughter plants, Agricultural Marketing Service (AMS) Market News reports, and livestock dealers, removing the burden from both the buyer and the livestock producer. AMS reports day-to-day or week-to-week price movement by grade for a variety of classes of commodities. Much of these data are aggregated over time, weighted by class, and used to estimate farm prices received, which reduces the number of contacts NASS needs to make.

**6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.**

Collecting data less frequently would eliminate data needed to keep the U.S. Department of Agriculture abreast of changes at the State and national level. Timing and frequency of the various reports have evolved to meet the needs of Department clients, including producers, agribusinesses, and government agencies, yet minimize burden on the reporting public.

Prices paid information as currently collected are used by the Forest Service and Bureau of Land Management to determine public land grazing rates as mandated by legislation. Any modifications to current methodology would require a legislative amendment.

**7. Explain any special circumstances that would cause an information collection to be conducted in a manner requiring respondents to report information to the agency more often than quarterly; requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;...**

Reporting more frequently than quarterly: Monthly commodity prices received by farmers are needed to meet legislative requirements. These prices coupled with monthly marketing weights, result in greater accuracy of the marketing year average prices.

Expecting written response in fewer than 30 days: Information needs to be collected and issued as close to the survey date as possible in order for the estimates to be timely.

In September of 2006, we began collecting peanut prices on a weekly basis in response to a request by the USDA Farm Service Agency (FSA). The Farm Bill provides for FSA to administer on behalf of the Commodity Credit Corporation (CCC) marketing assistance loans, loan deficiency payments (LDP), and counter-cyclical payments for peanut producers. USDA's Agricultural Marketing Service (AMS) provides weekly shelled peanut market prices that FSA uses along with other information to calculate its National Posted Price (NPP) which is released every Tuesday on the FSA Web site and in local FSA offices. USDA administration has asked NASS to assist in improving the precision and timeliness of the NPP by providing current market data based on purchases from peanut producers.

**8. Provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8 (d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments.**

The Notice soliciting comments was published in the Federal Register on December 1, 2006 on pages 69532-69533. One comment (attached) was received from the public.

**Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.**

NASS frequently consults with USDA's Economic Research Service, Forest Service, Agricultural Marketing Service, and Farm Service Agency, as well as the Department of Commerce Bureau of Labor Statistics to discuss NASS methodology and estimating program. NASS also conducts regular meetings around the country to obtain feedback from data users.

**9. Explain any decision to provide any payment or gift to respondents.**

There are no payments or gifts to respondents.

**10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.**

All questionnaires include a statement that individual reports are kept confidential. U.S. Code Title 18, Section 1905 and U.S. Code Title 7, Section 2276 (attachment B) provide for the confidentiality of reported information. All employees of NASS and all enumerators hired and supervised under a cooperative agreement with the National Association of State Departments of Agriculture must read the regulations and sign a statement of compliance. (Privacy Impact Statement is in attachment C.)

**11. Provide additional justification for any questions of a sensitive nature.**

There are no questions of a sensitive nature.

**12. Provide estimates of the hour burden of the collection of information. The statement should indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated.**

Total hours of burden are based on the calculations below. Reporting time of 12,016 hours are multiplied by \$24 per hour (estimated at farm manager rate), for a total cost to the public of \$ 288,384.

**2007 Prices Surveys Projected Annual Response Burden**

Survey Name	Sample Size	Freq	Responses <sup>1/</sup>				Non-response				Total Burden Hours
			Resp. Count	Freq x Count	Min. / Resp.	Burden Hours	Nonresp Count	Freq. x Count	Min. / Nonr	Burden Hours	
<b>Prices Received</b>											
Cotton, Monthly	140	12	112	1,344	20	448	28	336	1	6	454
Grain and Beans	1,800	12	1,440	17,280	10	2,880	360	4,320	1	72	2,952
Hay, Monthly, Handlers <sup>2</sup>	500	12	400	4,800	10	800	100	1,200	1	20	820
Hay, Biennial Prod and Sales	12,000	0.5	9,600	4,800	10	800	2,400	1,200	1	20	820
Hay, Jan. Milk Prod. Quest. <sup>3</sup>	11,600	1	9,300	9,300	5	775	2,300	2,300	1	38	813
Hay, Feb-Dec Milk Prod. Quest. <sup>3</sup>	2,900	11	2,300	25,300	5	2,108	600	6,600	1	110	2,218
Peanuts	60	52	48	2,496	10	416	12	624	1	10	426
Potatoes <sup>2/</sup>	100	12	80	960	10	160	20	2,400	1	40	200
Rice	60	12	48	576	10	96	12	144	1	2	98
Sugar	12	2	12	24	10	4	0	0	0	0	4
Tobacco <sup>2/</sup>	100	3	80	240	10	40	20	60	1	1	41
Advance Letter <sup>5/</sup>	2,060	1	2,060	2,060	5	172		0		0	172
Operation profiles <sup>4/</sup>	2,060	1	2,060	2,060	10	343		0		0	343

<b>Subtotal</b>	29,272	2.3	23,420	67,120		9,042	5,852	19,184		319	9,361
<b>Prices Paid</b>											
Farm Machinery	1,840	1	1,472	1,472	15	368	368	368	1	6	374
Feed	2,220	1	1,776	1,776	15	444	444	444	1	7	451
Fertilizer and Ag Chem	2,580	1	2,064	2,064	15	516	516	516	1	9	525
Fuels	2,280	1	1,824	1,824	5	152	456	456	1	8	160
Seed	1,400	1	1,120	1,120	15	280	280	280	1	5	285
Advance Letter (all PP surveys)	10,320	1		10,320	5	860		0		0	860
<b>Subtotal</b>	10,320	0.8	8,256	8,256		2,620	2,064	2,064		35	2,655
<b>Total</b>											
	39,592		31,676	75,376		11,662	7,916	21,248		354	12,016

<sup>1/</sup> Projected responses are based on estimated response rate of 80%, except for sugar which is getting 100% response.

<sup>2/</sup> These are estimated sample sizes for Field Offices which may conduct small, targeted surveys to obtain information in specialized areas or in changing markets.

<sup>3/</sup> States add hay price questions to their monthly milk questionnaires during peak hay purchasing months. The Milk Production questionnaire (OMB No. 0535-0020) adds additional burden minutes to each questionnaire's Burden Statement, but the burden is accounted in this docket.

<sup>4/</sup> Operation profiles are obtained at beginning of each sample year for cotton, grains, pulse crops, oilseeds, peanuts, and rice samples.

<sup>5/</sup> Advance letters are included with the cotton, grains and beans, peanuts, and rice samples. The time listed includes a re-contact of a small sub-sample of operators by phone to conduct a quality control check of the NASDA enumerators.

**13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information.**

There is no cost burden to respondents.

**14. Provide estimates of annualized cost to the Federal government; provide a description of the method used to estimate cost which should include quantification of hours, operational expenses (equipment, overhead, printing, and staff), and any other expense that would not have been incurred without this collection of information.**

The total cost to the Federal government for the agricultural price surveys is \$3.7 million; virtually all of the costs are staff costs for data collection.

**15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I (reasons for changes in burden).**

The total response burden of 12,016 hours is an increase of 1,273 hours over the current inventory of 10,743 hours. The change in burden hours is due to several program changes: an increase in frequency of peanut questionnaire; the deletion of livestock and milk prices since all data now comes from administrative sources; the reduction in sample sizes for cotton, grains and beans, potatoes, and tobacco as fewer Field Offices are conducting these surveys; the inclusion of hay prices which is conducted using the Milk Production questionnaire (OMB No. 0535-0020); the inclusion of operations profiles for four crops; and the allowance for advance letter burden (see A.12 table and footnotes).



**16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.**

Prices received estimates are published monthly in *Agricultural Prices*, released at 3:00 p.m. ET on the next-to-last or last working day of each month, except quarterly when they are incorporated into the grain stocks report (OMB No. 0535-0007). The *Agricultural Prices-Annual Summary* published in July contains these monthly estimates plus market year average prices for all major crop and livestock items as well as annual prices paid estimates. Peanut prices are published every Friday at 3:00p.m. ET. These publications are available on-line immediately after release at [http://www.nass.usda.gov/Publications/Reports\\_by\\_Title/index.asp](http://www.nass.usda.gov/Publications/Reports_by_Title/index.asp).

**17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.**

There is no request for approval of non-display of the expiration date.

**18. Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions" of OMB Form 83-I.**

There are no exceptions to the certification statement.

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