NOTICE OF OFFICE OF MANAGEMENT AND BUDGET ACTION

Date 07/07/2017

Department of Agriculture
Economic Research Service

FOR CERTIFYING OFFICIAL: Jonathan Alboum
FOR CLEARANCE OFFICER: Ruth Brown

In accordance with the Paperwork Reduction Act, OMB has taken action on your request received
12/28/2016

ACTION REQUESTED: New collection (Request for a new OMB Control Number)
TYPE OF REVIEW REQUESTED: Regular
ICR REFERENCE NUMBER: 201612-0536-001
AGENCY ICR TRACKING NUMBER:
TITLE: Risk Preferences and Demand for Crop Insurance and Cover Crop Programs (RPDCICCP)
LIST OF INFORMATION COLLECTIONS: See next page

OMB ACTION: Approved with change
OMB CONTROL NUMBER: 0536-0076
The agency is required to display the OMB Control Number and inform respondents of its legal significance in accordance with 5 CFR 1320.5(b).

EXPIRATION DATE: 07/31/2020 DISCONTINUE DATE:

BURDEN:	RESPONSES	HOURS	COSTS
Previous	0	0	0
New	2,500	861	0
Difference			
Change due to New Statute	0	0	0
Change due to Agency Discretion	2,500	861	0
Change due to Agency Adjustment	0	0	0
Change due to PRA Violation	0	0	0

TERMS OF CLEARANCE: This ICR is approved for one-time collection under the requirements of XXXX.

While OMB supports the exploratory nature of this experimental study on risk preferences, OMB requires the following to improve the practical utility of this line of research:

1. Incentives (1): OMB believes that there is ERS provided inconclusive evidence on how increasing payment amounts to student participants in experimental studies are related to their performance (Holt and Laury 2002, and Holt and Laury 2005). Given the weak relationship between payment amounts and performance and the unlikelihood of reaching the payment amount of $100 (i.e., the conditional probability of realizing a payment of $100 is 0.52%), OMB believes capping the payment amounts to $100 may be sufficient to generate enough variability in the experimental results to satisfy the goals of this research. Accordingly, payments to respondents under this clearance may not exceed $100 (excluding $10 show-up fee). Please note that the payments to participants of economic experiments are not same as incentives offered to respondents to surveys. The $110 cap which includes all payments to experimental subjects including the show-up fee only applies to economic experimental subjects.

2. Incentives (2): OMB believes that there is there is an extensive literature on the relationship between payment amount and performance in social and behavioral science research. However, the conclusions resulting from those research studies on this topic were not uniform and some were even contradictory or controversial. OMB welcomes ERS proposed submission of supplementalWe would like the ERS to submit a literature review of

the relationship between payment amount and performance that will provide a comprehensive picture of the research findings in the social and behavioral science research literature. ERS should also use the experiments proposed to conduct its own analysis of the relationship between payment amounts and performance and submit the results of that analysis to OMB.

3. Literature Review: OMB welcomes ERS' proposed submission ofERS has not submitted a comprehensive review of the experimental economics literature on risk preferences. Rather ERS submitted a review of empirical economics literature on the effect of USDA commodity support programs on agricultural production choices and their effects on the environment. While improving USDA commodity support program may be an end goal of understanding farmer risk preferences, ERS must providehas not provided a discussion on how the empirical literature on agricultural production choices and effects on environment are related in this ICR. ERS must provide the relevant literature review for the ICR being submitted. If ERS submits reviews of related economic literature, the agency must explain how these different fields are related for the purposes of the ICR.

4. Cumulative Prospect Theory and Myopic Loss Aversion: ERS offers cumulative prospect theory and myopic loss aversion as potential explanations as why ERS models tend to over-predict farmer enrollment levels in USDA insurance and conservation programs. The ERS models are based on expected utility theorem. Aside from hypothesizing that the farmer behavior may be more consistent with cumulative prospect theory or myopic loss aversion (e. g., testing for correlation between risk preferences based on cumulative prospect theory and myopic loss aversion and demand elasticities for crop insurance), ERS doesn't offer much in terms of modeling or theoretical predictions based on different theories of behavior. OMB welcomes ERS' proposed discussion onERS should discuss whether the research protocol is capable of identifying the level of difference between the predictions of expected utility theorem, cumulative prospect theory and myopic loss aversion. If ERS cannot model the difference between the predicted levels of behavior, ERS must demonstrate how this research furthers the understanding in experimental economics in general or other indicators of practical utility.

5. Use of Student Experimental Subjects: ERS proposes to use a university student population as a first step to examine and to further understanding of risk preferences that will lead to refinements in USDA models of program participation. OMB agrees that the ease of administration and low cost associated with using convenience samples of university students is appropriate for exploratory investigations such as whether the subjects understand the concepts the researchers are trying to convey, whether the subjects use similar or different language to convey the concepts that are being explored, and whether the experimental protocols are working as expected. Although ERS explicitly states that the purpose of this research ICR is not to produce policy relevant estimates, ERS does not explain how this exploratory research will inform further research on risk preferences. ERS should expect to provide the necessary research agenda for future ICR(s) associated with this exploratory experimental economics ICR to clarify the practical utility of this study. Furthermore, ERS should expect to provide the necessary research agenda for future ICRs associated with any exploratory experimental economics ICRs (aka research ICRs) to clarify the practical utility of research ICRs.

6. Lack of Plans to Conduct Preliminary Work to Assess Farmer Risk Preferences: ERS has not provided to OMB any plans to extend the risk preference research to farmer population. OMB encourages ERS to undertake further work to ensure that farmer subjects understand the concepts the researchers are trying to convey, develop experimental protocols and any associated instruments to use appropriate language to convey the concepts that are being explored, testing for validity of the experimental protocol, and develop appropriate sampling plan for the target farmer population. OMB believes that without this work, ERS exploratory experimental economics may have very limited practical utility.

OMB Authorizing Official: Dominic J. Mancini

Deputy and Acting Administrator,

Office Of Information And Regulatory Affairs

List of ICs			
IC Title	Form No.	Form Name	CFR Citation
Risk Preferences and Demand Experiment for Crop Insurance and Cover Crop Programs (RPDCICCP)			
Demographic Questionnaire			